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SOCIALISTS' GLINNE ON TNF, ZERO OPTION, NUCLEAR-FREE ZONE

Brussels LE PEUPLE in French 30 Sep 81 p 2

[Article by Ernest Glinne: "Marching for Peace"]

[Text] The Socialist Party's national committee and district federations have once again approved a recommendation that their members and supporters march for peace. This latest peace march is to be held in Brussels on 25 October under the sponsorship of the National Action Committee for Peace and Development (CNAPD), a multiple grouping of organizations comprising several socialist movements including the Movement of Young Socialists and the Socialist Movement for Peace and Development (MSPD), 20 Galerie du Parlement, Box 19, Brussels 1000. In addition, on the international socialist level there is a steadily increasing number of meetings and initiatives aimed at de-escalation. These include: exploratory visits to Moscow by Willy Brandt and then by Michael Foot; repeated meetings by governing bodies of the International, the Union of EEC Socialist Parties, the European Parliamentary Group; etc. The main concern everywhere is simultaneously to promote justice beleaguered by established disorder, enhance and defend democracy in all its forms, and—above all--maintain mankind's chances of survival.

We do, of course, regret that the watchwords adopted for this 25 October demonstration are lacking in consistency, clarity, and direct correlation. Was this meant to allow each participating group to make its own particular choice among these slogans? If so, it is incumbent upon us to explain why and how we shall participate as our country's socialists.

First of all, we irrevocably place ourselves on the side of those who support democracy, pluralism, and necessary solidarity with those political systems in which the governed elect, control, and remove their governors. In the wake of the "technological breakthrough" achieved in Russia by the SS-20 missiles, we agreed at the 8 December 1979 meeting of our General Council that, from a military standpoint, "the Soviet Union, by modernizing its medium-range nuclear weapons aimed at Western Europe, makes it necessary for the Atlantic Alliance to take appropriate action either to preserve or to reestablish a stable balance." We have always viewed negotiation as the ready-made method of establishing such a balance at a minimum level, whereas any attempt by one side to achieve superiority over the other must be denounced, no matter how this attempt may be made and regardless of whether it is either openly announced or disguised.

Consequently we consider the coming opening of negotiations between the U.S.A. and the USSR to be a fundamentally positive development. Yet both negotiating parties will have to prove thier sincerity.

Furthermore, we consider it intolerable to discuss the issue of Euromissiles in Europe over the head of Europeans and without their participation when the targets are on their territory! Pierre Mauroy was right when he said recently--in a lecture given at the Institute for Advanced National Defense Studies, as reported in LE MATIN, 15 September 1981--that "for the United States, Europe may well be merely one rung on the ladder of violence and not one of the supreme defensive aims. Such an eventuality would be unacceptable to the French. Such an eventuality should make Europeans ponder the prospect of a unified political system possessing an independent defense."

Zero Option

The SS-20 missiles are not simply a modernized version of the SS-4 or SS-5 missiles. The SS-20's represent a tremendous "qualitative leap forward" and yet their production and actual deployment in the East have continued at a rate which no pacifist demonstration has disturbed... For us, there is a difference between the already deployed SS-20's and NATO's programmed 1983 response with Pershing 2 and cruise missiles. Genuine de-escalation is the verified dismantlement of all SS-20's threatening us in exchange for the nonprogramming of their Western equivalent. One side's removal of its deployed missiles and the other side's cancellation of its plans for deployment of similar type missiles, correctly summarize and express, under the term "zero option" employed extensively by FRG pacifists, our own views. Both sides must break the complicated mechanism that is beginning to foul all hope. We must, of course, denounce the sinister joke which alleges that missiles are good or bad depending on which side they are located. All parties involved must examine, thoroughly study, and accept any serious offer aimed at eliminating the SS-20's and their counterparts.

It is self-evident, as so accurately stated recently by the International, that the two superpowers should refrain throughout the world from actions that tend to breed distrust and tension: Central America, Southern Africa, Afghanistan and Poland might well become the graveyards of our last illusions!

Our position on neutron weapons was defined as early as 8 October 1977 at our congress in Spa. We are opposed to their very production. The nuance which distinguishes our position from that of our French comrades is not as great as it would appear, inasmuch as on 25 June 1980, the PSF's executive committee stated: "While it may be advisable to modernize our capability of firing warning rounds and give ourselves the means of studying and mastering neutron weapon technology, we do not, however, agree with the decision to produce and deploy such weapons, a decision that would, under present circumstances, result in making us participate in the future nuclear battle, contrary to the strategy of deterrence which socialists have adopted."

A 'Nuclear-Free Zone'?

Much could also be said in support of our firm desire to obtain universal recognition of conscientious objection and a reduction in the length of military service as well as in conventional forces and weaponry. Will the Vienna Conference [Mutual and Balanced Force Reductions negotiations] ultimately make some progress on these matters?

As for the establishment of a "nuclear-free zone" in Europe, the PS has not taken a stand to date on this issue in spite of the brief mention of such a concept in the Socialist International's Paris communique. It goes without saying, however, that to be discussible, this very concept must cover territory that extends as deeply to the East as it does to the West. There is an obvious tie-in between this concept and the Vienna Conference, inasmuch as the West's tactical nuclear weapons counterbalance the Warsaw Pact's clear-cut superiority in armor as well as conventional forces and weapons.

The 25 October peace march's antecedents and aftereffects will help to further enlighten Belgian public opinion on a crucial issue. Similarly, the election campaign should compel candidates to commit themselves on this issue. For its part, the Socialist Party did not await the new political conjuncture before devoting a substantial part of its effort to peace, a difficult challenge and supreme stake.

8041

CSO: 3100/33

ZERO OPTION SEEN AS INCREASING ATOMIC THREAT TO NATO TERRITORY

Bonn RHEINISCHER MERKUR/CHRIST UND WELT in German 18 Sep 81 p 6

[Article by Wolfram von Raven: "Dream of Zero Option--Renunciation of Counter-armament Is Only an Ideal"]

[Text] The shrill accompanying music of the demonstrations and riots in Berlin could not drown out the fact that Helmut Schmidt and Alexander Haig were endeavoring to hit upon a course of action on which they could agree. Precisely because the anti-American emotions in our country are escalating so drastically into a pro-Soviet campaign, the two statesmen had to feel that they were being forced to present a pattern of harmonious cooperation to make it clear that the common interests shared by Bonn and Washington continue to exceed the number of points on which they disagree by a considerable amount.

But have Haig and Schmidt now agreed that the negotiations regarding medium-range weapons are to be conducted with the "zero option" as their goal? Both of them have touched upon this subject, but both of them indicated--although their respective statements were worded with diplomatic circumspection--in their own way that they actually regarded such ideas, perhaps as theoretical models of conceivable ways of thinking, but not as possibilities in any practical way. The U.S. secretary of state was able to express himself with direct clarity on this point, while the German chancellor had to steer a middle course, making use of indirect intimations--with an eye to his party, which considers the double decision of NATO, to the extent that it still supports it at all, more or less as only a vehicle for agreements on the limitation of armaments.

Well, then, what would or could the preliminary conditions necessary for a "zero option" have to look like? If the Soviets were willing to scrap the whole lot of their land-based weapons--that is, the missiles of the SS-4, SS-5 and SS-20 types, which play the major roles in the debate concerning the counter-armaments program--the members of NATO doubtless would have a hard time putting their program into practice in which the Americans plan the deployment of missiles of the Pershing 2 and Tomahawk types in Western Europe, for in the discussion the fact is usually disregarded that the East's advance armament program was not only carried out with respect to both the air-based and sea-based weapons with ranges of between 1,000 and 5,000 kilometers but also with respect to those of other categories which, in the same manner, constitute a nuclear threat to the western part of our continent, such as the following, for example:

--With respect to the long-range weapons of the SS-11 type, which, in fact, have an intercontinental effective range but are directed exclusively against targets in continental range; they apparently are now being replaced by missiles of the SS-19 type, which are suitable for intercontinental as well as continental ranges.

--With respect to the short-range weapons of the Frog, Scud and Scale-board types, whose effective ranges--depending upon where they are stationed--are sufficient to cover targets in Germany and its neighboring countries; in the meantime, their places are being taken by missiles of the SS-21, SS-23 and SS-22 types, which considerably extend the radius within which missiles can be used.

If the dismantling of the Soviet medium-range weapons of the types which have been described had to be purchased with the abandonment of the building up of American medium-range weapons, such a "zero solution" of the missile problem might increase the threat to NATO territory, and especially to German terrain, rather than reduce it. Then no adequate deterrent instruments belonging to the United States would be available to the alliance to oppose the specific intimidation instruments of the Soviet Union. In such a situation, the only remaining capabilities the United States would have would be either to strike the USSR immediately with long-range weapons or to direct NATO to initiate a battle with short-range weapons which would devastate Europe on both sides of the Iron Curtain while at the same time sparing the sanctuaries of both of the world powers.

Alexander Haig knows that, but so does Helmut Schmidt, so that heading toward the "zero option" can perhaps be considered as a tactical means to be used in negotiations where both of them are concerned but must be eliminated as a target of security strategy. Washington, which aligns itself with NATO's security concept, therefore might not strive for the abandonment of armament but for a limitation of armament. Consequently, it might try to convert Moscow to a serious solution of the problem which would give equality of defensive capabilities to both sides, thus ruling out inequalities which would grant the East offensive capabilities against the West. Therefore the NATO plan for renovation of the armaments program would be limited to 572 missiles right from the start, although the enemy's advance armaments program already musters four-and-one-half times as many warheads and explosive charges for bombs, at present, where land-based, sea-based and airborne weapons for medium ranges are concerned--that is, they show no indication of a tendency to be satisfied with what they have.

The neutron bomb, which naturally was touched upon in the German chancellor's conversation with the U.S. secretary of state, has scarcely anything to do with all that. In fact--as was announced four years ago--it is to be brought under negotiation sometime and someplace, but it is not a subject of discussion in the conversations now being initiated with the USSR by the United States. Being only suitable for use as short-range weapons, things of that sort only serve as ammunition for the Western deterrent effort directed against the Warsaw Pact's multitudes of tanks, which the enemy uses for intimidation purposes, not just in the nuclear but also in the conventional sphere. Therefore that weapon would perhaps fit into the framework of an agreement between West and East which would be concerned with a limitations of armaments in this field.

Therefore the decision to produce the neutron bomb did not require any consultation with the Allies, but such a consultation would be necessary if it were intended to deploy it in the Allies' countries. Alexander Haig has given assurance of that again and again. Also, Washington's action in producing the weapon and then initiating consultations in NATO when it became a question of deploying them was exactly in conformity with Bonn's recommendations, which were presented to its partner a number of times in 1977 and 1978 by Helmut Schmidt. The excitement which is being stirred up in our country gives evidence of defective memories, and it also reveals the existence of hypocrisy. Since we can't come to a decision for or against its deployment, should we want to be the ones who would have to say "yes" or "no" to the production of that confounded weapon?

9258
CSO: 3103/14

POSSIBILITY OF SOVIET NATURAL GAS FOR WEST BERLIN

Bonn DIE WELT in German 29 Sep 81 p 1

[Article by Mk/dey: "Soviet Natural Gas for West Berlin Too?--Moscow No Longer Has Objections Against Including the City"]

[Text] Moscow--West Berlin's chances of being connected to the new gas pipeline from the USSR have improved. The Soviet government no longer has any basic objections against including the city in this energy pool and promises to give favorable consideration to all incident problems. Yesterday a paragraph to that effect was included in the final minutes of the tenth session of the German-Soviet Economic Commission in Moscow.

Current negotiations concern branching off to West Berlin 1 billion cubic meters of natural gas out of the 12 billion which are destined for the Ruhrgas AG under the new gas pipeline deal.

According to the German delegation, West Berlin has lately shown increased interest in such a project. However, it has not yet been officially determined how the gas pipeline will be routed to Western Europe from the Yamal peninsula in Siberia. Still, there is increasing evidence that the Soviets have decided in favor of a southern route through Czechoslovakia. There is no confirmation of whether events in Poland have solely caused the Soviet government to abandon the northern route through Poland and the GDR, which would have made it easier to connect Berlin. But this is likely.

Should the southern route be chosen, the best solution for Berlin would be a dead-end line from Czechoslovakia. Another possibility would be a new pipeline from West Germany to Berlin.

It is not yet certain whether this project can be implemented. The Berliner Gas AG has of course emphatically expressed its desire to extend its gas holdings in this manner, since the construction of new producing plants is being opposed by the environmentalists. However, the city does not yet have a suitable gas storage tank.

Meanwhile, no date has been set for signing the natural gas pipeline agreement. There is a great disparity in the cost projections of the two parties, for the gas itself as well as for the compressor stations.

Asked about American misgivings, Federal Minister for Economics Otto Graf Lambsdorff indicated that they are not of a strategic nature. Both governments have once again indicated their desire to conclude the agreement as soon as possible. In the fall, the Western allies plan to discuss an expansion of the list of goods which may not be exported to the USSR (the Cocom List).

Deputy prime minister and chief of the Soviet delegation Leonid Kostandov admitted that certain difficulties had been caused by a tightening of rules following the Soviet invasion of Afghanistan. But, he said, this could not deter the USSR's development. He held out some prospects for "new major projects" in future German-Soviet economic cooperation beyond the gas pipeline agreement. In this context, he made particular mention of coal processing in the Siberian Kansk-Atchinsk basin.

While this billion DM project still is, to quote one of the members of the German delegation, "a vision on the horizon," it nevertheless is already challenging the imagination of several West German bidders.

9273

CSO: 3103/32

PAPER SEES GOVERNMENT SUBSIDIES FAVORING FLANDERS

Brussels LE PEUPLE in French 29 Sep 81 p 2

[Article by Yves Lac: *The Weight of Statistics Against Flemish Bad Faith*"]

[Text] A favorable wind (not necessarily for the country's north) has deposited in our office a note intended for the office of the Regional Economic Council of Wallonia, concerning national sector fund allocations.

In a note dated 7 September 1980, the CERW [Wallonia Regional Economic Council) estimated in effect a distribution among the regions, of government aid to the national sectors for 1980, with the exception of the steel industry, for which it has not yet been possible to find valid figures in the 1980 budgets because of the successive decisions made for that sector.

1977-1980

Since it is always difficult to back up a comparison of this kind with statistics from just one year, the CERW, pursuing its investigations, did the same work as before although this time for a spread of 4 years. The statistics (given in millions of francs) in the table below thus cover the period of 1977-1980. They are particularly significant.

Sector	Flanders	Wallonia
Hollow glass for packaging	128	254
Steel industry	8,900	16,500
Textile	1,800	880
Shipbuilding	31,100	-
Coal industry	37,800	7,800
Nuclear energy	8,200	1,300
	87,928	26,734
	(76.7%)	(23.3%)

The Future

For the future, we may note the following elements:

- (1) The 1979-1984 merchant marine reorganization plan involves 29,980 billions exclusively in favor of Flanders;

(2) The textile and clothing industry reorganization plan for 1981-1985 calls for various types of financial expenditures through a loan in the amount of 34 billions.

Considering the duration of these loans, a portion of the expenditures will have repercussions on the budgets beyond 1985. The cost of this plan, estimated by the minister of economic affairs, for the years 1980-1985, is 14,304,000,000.

A portion of the 20 percent of the funds in this plan has been claimed by the Walloon Region but it is doubtful that it will get that money. The structure of this fund and the closing of enterprises in this sector, still observed in Wallonia after the plan's adoption, do not work in favor of this demand.

(3) For the coal industry, subsidies come to something like 12 billions in 1980. They will be slightly higher according to the 1981 budget. Furthermore, the management of the Campine mines is looking forward--at current prices and costs--to the reduction of the operating loss per ton amounting to 1,861 francs in 1981 down to 1,414 francs in 1985. This estimate is particularly optimistic and the operating loss (at least 10 billions) should be covered by the budget.

On the other hand, the "White Book" by the little red man from Limbourg is in favor of keeping up a Belgian production figure (in reality, we should say "Flemish") of 7 million tons of coal exclusively in Campine (the closing of Roton, so dear to Jean-Maurice Dehoussse, has been planned for 1982 or 1983).

It is therefore not too daring to multiply by five the amount of 12 billions calculated in 1980 in support of the Campine mines and by three the amount of 1 billion estimated for the southern basin.

(4) The steel industry reorganization plan, adopted in September 1978, called for 42 billion francs for the mills in Wallonia and 14.3 billions for the mills in Flanders. This plan was adjusted in May 1981. The various support sections of the CERW are at this time trying to update the various components (capital contributions, subsidies, interest allowances on loans, and convertible obligations) for these amounts.

Conclusions

In general, it is realized that the differences mentioned here cannot merely have arisen by chance. Have they been "orchestrated" by some mastermind or at least by the ministry of economic affairs?

Some people are in support of a regionalization of the national sectors. Reading this note, we can better understand the motivations that inspire them. In the meantime, perhaps an incontestable balance sheet of this aid for the national sectors might be drawn up by way of opposition and perhaps negotiations might be conducted to demand the repair of the injustices of which Wallonia has been a victim.

5058

CSO: 3100/42

BUNDES BANK PRESIDENT ON CHANCES OF LOWERING INTEREST RATES

Hamburg DER SPIEGEL in German 5 Oct 81 pp 46, 49, 50

/Interview with Karl Otto Poehl, president, Bundesbank, by editor Wolfgang Kaden, conducted on the occasion of the World Monetary Conference in Washington/

/Text/ /Question/ Herr Poehl, is there any prospect of the horrendously high interest rates coming down soon?

/Answer/ It is difficult to make any prediction in this respect. After all, the level of interest rates in the FRG depends not only on our decisions but on those of other countries also. There are indications, though, that general conditions for the FRG are improving, and we will therefore have rather wider scope. In particular I am referring to the improvement in our current account.

/Question/ This coming winter unemployment is expected to climb to well above 1.5 million. Finance Minister Mattheofer says that the best economic program in this situation would be lower interest rates. However, such admonitions do not seem to make much of an impression on the Bundesbank.

/Answer/ I agree with Herr Mattheofer. It would be altogether desirable for interest rates to decline. On the other hand the Finance Minister and I also agree that a decline does not depend on us alone.

/Question/ Could you not help matters along a bit? Could not the Bundesbank have provided some relief at least in the week before last, when the capital market interest rates began a downward slide?

/Answer/ It is true that the situation on the foreign exchange market has eased somewhat...

/Question/ ...The D-mark has gained quite considerable strength vis-a-vis the dollar.

/Answer/ Yes, but it would be wrong to immediately react with lower interest rates, we might thereby arouse expectations which could well be disappointed.

/Question/ You will therefore continue to stand by without doing anything?

Answer You may be sure that we will use any scope for lower interest rates, provided it appears to be lasting.

Question Your critics say that you have certainly gained scope for action after the substantial weakening of the dollar--in the course of just a few weeks the U.S. currency lost 20 pfennig. And in fact every day you delay the switch-over may cost thousands of jobs.

Answer The improvement in our foreign trade situation is not really complete. Should we deviate from our line too early, we might well put the ultimate success of our policy at risk.

Question What do you mean by too early? The rapidly rising unemployment figures virtually compel the fastest possible action.

Answer I also view the trend of unemployment here as well as in other countries with the utmost concern...

Question ...That sounds like the typical politician's phrase.

Answer Oh no! I believe that increasing and lasting unemployment could in the long run involve considerable social and political stresses in the industrial countries. But we will not achieve a higher rate of employment by lighting a brush fire, possibly by lower interest rates and spending programs. In the end that could propel us into an even more precarious situation. We have seen examples in many countries which pursued this kind of policy after the first oil crisis. We will achieve a higher rate of employment only when we manage to resolve the fundamental problems of our economy.

Question Which are?

Answer I mean the fundamental shift in foreign trade terms. We must adjust to higher energy prices, improve our current account, and that is possible only if we export more and consume less at home.

Question Something which is already happening to quite an extent.

Answer Quite so. I believe that we have advanced a good deal in this process of adjustment. That is demonstrated by the favorable development of exports, the substantial energy conservation efforts. If we continue with this approach, positive consequences for employment are bound to follow. The increase in exports supplies more jobs than a spending program involving DM1-2 billion.

Question Nevertheless you continue to prescribe blood, sweat and tears?

Answer Considering the standard of prosperity achieved in the FRG phrases like "blood, sweat and tears" are totally inappropriate. After all, last year we still saw an increase in real incomes. This year also real incomes are unlikely to decline, or if so by very little.

Question The Bundesbank has argued for more than a year that the FRG must remain attractive for capital investment and therefore orient itself to the high foreign

level of interest rates. If not, international capital would leave or bypass the Federal Republic, the D-mark weaken. Is it not rather difficult to explain to federal citizens that they must pay impossibly high interest for their mortgages, overdrafts and investment loans due entirely to foreign trade developments?

/Answer/ These connections are in fact complicated and not easily explained. Still, I feel that most citizens understand the goal of the Bundesbank, that is to maintain confidence in our currency.

/Question/ You boast of broad approval of your policy. It seems to us that you exaggerate somewhat. At least the labor unions are totally opposed to your high interest policy.

/Answer/ I regret that very much, because I think that our policy will, in the event, benefit employees most. If we were to allow more inflation, employees would be the ones to suffer. How would the labor unions look to their members if we had a much higher rate of inflation at the end of the year--in other words if the trade unions had clearly failed to meet their declared target of maintaining real incomes?

/Question/ You did not succeed, though, in persuading the labor unions.

/Answer/ That is unfortunately true. I understand that the unions are worried about the rise in unemployment. But it is quite wrong to think that a less restrictive monetary policy could buy more employment.

/Question/ Not only the trade unions oppose your policy. Possibly even more important from your standpoint is the growing resistance by the Social Democrat Bundestag fraction.

/Answer/ It is decisive for me that the Federal Government supports our position. We cannot make our policy dependent on the opinion of individual deputies.

/Question/ That answer seems rather disingenuous. SPD deputy Wolfgang Roth who has campaigned against the Bundesbank line for months, has attracted a considerable following in recent weeks.

/Answer/ I do not know whether you are right. If so, I will have to bear it. He can certainly not make me abandon a line which I consider correct.

/Question/ Do you have any understanding for the disappointment of many Social Democrats with Bundesbank President and Social Democrat Karl Otto Poehl? Many of your colleagues in the party accuse you of executing a policy which has resulted in the highest unemployment for decades.

/Answer/ The Bundesbank president and his colleagues on the Central Bank Council must do what the law commands, that is look after the stability of our currency as far as that is at all possible in an inflationary environment. Besides, I must reject the accusation that Bundesbank policy has resulted in the high unemployment figures. Unemployment is the result of structural changes which our economy must cope with--in line with the economies of all other industrial countries--subsequent to the two oil price explosions.

/Question/ You are also being criticized by respected economic research institutes. They reproach you with looking far too fixedly at exchange rates and keeping interest rates unduly high. The bank of issue, they argue, should have had no qualms about letting the exchange rate drift down further. After all, the cheaper the D-mark, the better the sales opportunities of the export industries. Higher exports would eventually equalize the current account, causing the D-mark rate to rise yet again.

/Answer/ I consider this advice dangerous and unrealistic. By declaring that it is indifferent to the rate of exchange of its own currency, a bank of issue would offer an invitation for getting rid of that currency. This would be well-nigh fatal in view of the D-mark's importance as a reserve currency.

Incidentally, the economists tend to offer very different and sometimes mutually exclusive advice. When reviewing total economic development, the Council of Experts, for example, criticized our policy for not resolutely enough defending the D-mark exchange rate.

/Question/ One of the main reasons for your attitude is the high interest in the United States. Does not this imply rather somber prospects? It seems as if interest rates in America would continue high because the Reagan Administration is obviously not able to cut the capital needs of public agencies.

/Answer/ I hope you will not be proven right, and that the U.S. Government will be successful in its efforts to reduce budget deficits. And I hope that interest rates will then drop in the United States.

/Question/ That, however, is no more than a pious hope.

/Answer/ Right, but there are some reasons for this hope. The U.S. rate of inflation is on the way down and the American economy in the early stages of a recession. Still, even continuing high interest rates in the United States need not necessarily imply high interest rates in the FRG. We have the example of Japan. Japan was successful in overcoming foreign trade difficulties, and that has given it scope for considerable reductions in interest rates. Such a development is quite possible in the FRG also.

/Question/ In the mid-1970's, when state secretary in the Finance Ministry, you yourself--a convinced adherent of John Maynard Keynes--intended to change the FRG's economic policy. At that time unemployment had climbed above 1 million for the first time in decades. Nevertheless expensive employment programs were enacted. Now the government believes it can do without them. What has changed?

/Answer/ Like many other young economists I also was a champion of so-called overall control of the economy, a concept which was expressed in the stability and growth law. I am not among those who now believe that all this was wrong, and that "supply-side" economics could resolve all our problems. Only the situation now is totally different from that in 1966 and 1975.

Our problem is not the lack of domestic demand. We are therefore unable to cope with our difficulties by higher government debts and deficit spending.

Our problem is the need to adjust to a changed foreign trade situation and restructure our economy. Besides, the stability and growth law does make provision for the case of a disruption in the foreign trade balance.

Question According to you and the Bonn Government an employment program would be inappropriate. At the same time you keep interest rates high. Government economic policy, fiscal as well as monetary, has therefore abdicated its role in the fight against unemployment.

Answer Certainly not. You are now talking in terms of a recession like that of 1966 or 1975, and assume that the stagnation could be overcome with the classic tools of economic policy. I, on the other hand, assert that we can cope with this stagnation only by improving our foreign trade status.

Question In fact this still means that the Federal Republic must be armed for new export battles, our citizens make do with a smaller rise in prosperity or even shrinking real incomes.

Answer You are rather overdramatizing events. You are right, though: We can maintain our standard of living only by exporting more. Don't forget that we are spending roughly DM40 billion more this year on energy imports than even 3 years ago. Or, to take another example, FRG citizens spent some DM40 billion this year on foreign travel. We hold the world record in this respect. All this we can afford only if our economy continues to be efficient and competitive.

Question And that means the Germans, especially the government, should consume less?

Answer Here as well as in other countries the government's share in the social product has risen sharply in the past 10 years. We cannot continue in the same way. We need investments to raise our productivity.

Question Of course meaning also that public deficits will have to be further reduced?

Answer Budget deficits have risen enormously in virtually all industrial countries. In some European countries they amount to 10 percent of the national income. That makes it much harder to finance industrial investments and is a prime reason for the high level of interest rates.

Question In that case interest rates must be expected to remain high next year also?

Answer Well, the Federal deficit is to be reduced this year from about DM35 billion to about DM27 billion. If that happens, the scope for lowering interest rates is going to be wider. In any case the budget decisions are a step in the right direction.

Question Herr Poehl, we thank you for this interview.

NEED TO EXPAND INNER-GERMAN TRADE RELATIONS SEEN

Duesseldorf HANDELSBLATT in German 18-19 Sep 81 p 7

/Article by Birgit Breuel, Lower Saxon minister for economics and transportation:
To Realistically Use all Opportunities"/

/Text/ Following the extremely successful expansion of inner-German trade in 1980, it will now be necessary to stabilize it. Opportunities for further growth are restricted, because the GDR evidently wishes to (and must) prevent another increase in debts to the West. In addition the competition on the GDR market has become more severe by the arrival of new competitors such as Japan. Nevertheless, GDR representatives indicated quite clearly at the Leipzig Autumn Fair that they expect respectable growth in future also.

It will, however, be difficult to achieve such growth unless there are improvements with regard to factors which adversely affect the inner-German exchange of goods. The GDR's claims for the conclusion of reciprocal and compensation transactions still impede the further progress of German/German trade, especially because it frequently calls for more than 100 percent rates of repurchase of GDR products. This makes such transactions extremely difficult for small and medium firms. The GDR would be well advised to cease from these practices in view of the equilibrum in the balance of trade with the FRG such as it achieved in 1980. They are almost incomprehensible from a practical standpoint.

Unfortunately difficulties for medium firms in German/German goods trade are more likely to increase unless there is a new agreement on the interest-free overdraft allowed the GDR (swing). If it is not, the swing will be reduced from DM850 million at the end of 1981.

In the short term these difficulties might involve the firms being unable to promptly obtain payment from the Bundesbank. This might result in liquidity problems and financial gaps. For the GDR a reduction in the swing would lead to considerable general disadvantages. If, in such a case, it were to continue overdrawing its account, it would either have to pay far higher interest rates or forego deliveries badly needed by its economy.

It is imperative to preserve German/German trade as an economic bracket and basis for further cooperation between the two parts of Germany. It would therefore be desirable to enter into actual negotiations about the swing as soon as possible and also to discuss other cooperation projects such as the planned electrification of the

railway network or the construction of a brown coal power plant near Magdeburg. Furthermore talks should begin about the possibility of cooperating in third markets, both with respect to production and trade as well as expanding manufacture under licence.

Of course there is a connection between economic and political relations. The latter are now strained by the increase to DM25 in the minimum exchange and the expansion of the groups obligated to such exchanges. Despite the great significance of inner-German trade per se for the development of reciprocal relations, the human problems must not be forgotten when contemplating the future of this trade. Travel and visits are the core of the Germany policy.

To make any headway I consider it necessary as a first step to cancel the increase in the compulsory exchange and the inclusion of pensioners. It would, however, be a mistake to make the extension of the swing and, for example, the cancellation of the compulsory exchange a precondition of negotiations. On the other hand we should be careful not completely to disconnect these issues.

Moreover, it would be possible to ease border traffic. Possibilities are an extension of the period of stay from 24-48 hours, the establishment of additional border crossings, the free choice of border crossing, simplification and shortening of the application and border procedures. Further negotiations with the GDR should deal with the extension of tourism.

The German/German relation cannot be dealt with outside the context of the entire East-West situation. However, sober consideration and realism call for the best possible utilization of the opportunities available for reciprocal relations.

11698
CSP: 3103/26

NATIONALIZATION SEEN FORCING MORE RISKS ON BANKS

Paris LE FIGARO in French 12-13 Sep 81 p 12

[Article by Olivier Bastowhl]

[Text] A renowned expert sends us anonymously his point of view in response to the articles published in LE FIGARO, 5-6 Sep.

The nationalization of nearly all private banks under French control may surprise the observer since the banks in question grant only 15 percent of the loans and collect only 11 to 12 percent of the deposits. Several explanations have been offered: the first is the lack of action of the authorities in the existing system and the difficulty, for the latter, of influencing the credit policy of the banks.

This explanation is astonishing since the authorities already dispose of a wide range of possible actions on the banks.

1/ The CNC (National Credit Council) obliges them to declare to the Banque de France in details the risks they take and to submit a report for all transactions of 25 million.

2/ CNC regulates the interest rates for loans--just now shown for savings certificates--as well as the financing modalities of hire purchase.

3/ Finally and especially CNC initiates the very strict rules of credit ceilings. No doubt this last policy is comprehensive. Nonetheless, it is used for selective purposes by the strategy of exceptions.

4/ The Banque de France exerts a very exact action on credit policy by the conditions it imposes when refinancing banks, requesting in exchange for its support the surrender of certain assets to the exclusion of others. In fact the Banque de France is one of the few central banks to closely examine the financial situation of firms, one by one, before agreeing to refinance the loans granted to these businesses. Also, its policy of interest rates is by no means uniform.

5/ According to a study by the Banque de France, 44 percent of all loans are guaranteed by the state and are subject to specific procedures. This is an

enormous proportion, due in part to the proliferation of para-public credit institutions (Savings Bank, National Bank, Land Bank, Agricultural Bank, S.D.R. etc).

6/ Finally, through CODEFI and CIASI entrusted with the auditing of firms in trouble, the Treasury exerts an obvious influence on banks. Of course the supervision exercised by the Bank Control Commission has to be added to the whole complex.

Given the possibility of multiform intervention by the state in bank affairs, it has become impossible to understand at all the behavior of the banks unless one knows the activity of the authorities that restrict, constrain and determine their work. To say furthermore that it is indispensable to nationalize the private banks in order to give direction to credit is tantamount to saying that the administration is incapable of making use on the one hand of its direct influence on 85 percent of loans issued and on the other of the important means of action it possesses otherwise. Why doubt its ability to master the problems of credit? In that case why nationalize the private banks?

A second explanation: the community of banks should be forced to take more risks, to become the permanent support of industry, to reduce the demand for collateral securities, notably of real estate.

In other words, French banks are supposed to exhibit three faults: they refuse to finance industry, to take risks and they are too expensive.

If that explanation is correct, if French banks are directed by incompetents; how is it that the French banking sector managed to build up abroad, where competition is free, the second largest world network after the USA?

Furthermore, how is it that in the matter of services, the French banking system is responsible for the biggest surplus of our budget?

Can one reasonably blame the banks for having refused internal loans while rationing has been imposed on them more and more strictly for the last ten years and while, moreover, everybody complains about the run-away banking debts of French businesses?

Can one reasonably blame the banks for making too big a profit while the financial structure of French banks is the weakest in the Western world and while the Bank Control Commission has been obliged to take authoritarian steps to reinforce it progressively?

When one knows the considerable extent of personnel expenses in the total running costs of the banks, is it to be understood that the government rapidly will ask the banks to lay off personnel?

Can one blame the banks for setting high rates when the authorities stop at nothing in order to maintain the rate of the monetary market and the cost of lifting the credit ceiling to high levels?

Is it possible to ask the banks systematically to risk the funds entrusted to them by depositors?

At the end of the year will the latter agree to see their accounts reduced in proportion to the losses the banks have sustained?

It is obvious that a bank cannot at the same time increase its risks, reduce the cost of its loans and maintain the security of its deposits.

Bank revenues are derived from a clear margin between the cost of money and its sale price. It is a difference of interest rates from which managing costs are deducted (essentially personnel salaries).

When a banking debt is not made good it means a loss in capital whose amount widely exceeds an interest margin.

This explains why an extremely small increase in the loss rate is enough to put a bank in the red. Besides, the net profit of the banks represents only a minute percentage of the capital loaned, particularly in France.

Therefore the whole argument consists in deciding whether the bank directors must or must not assume responsibility for their institutions. Up to now, they have managed to do it in France better than anywhere else by practicing a kind of risk-spreading among their customers. Of course one could think of other solutions: for instance, going to the taxpayers. In that case, would not direct state aid to business be better? At least the situation would be clear and it is not apparent what bank nationalization would add to it.

Besides, when a member of the government is asked how he foresees that the banks, at the same time, will be able to increase their risks, reduce the cost of their loans and maintain the security of deposits, he invariably answers that the problems will be studied after nationalization; that shows how clearly they are linked.

For some, therefore, nationalization appears not only as utopia, but also as a myth and an ideology. Reason and thought do not enter into it. It would be an outdated element of a prophetic message.

For others, it is a means of providing the maximum of jobs for the faithful in the socialist party. For others again the true intention of the socialist party is to impose political criteria on the distribution of loans and they suggest that the modifications planned for the SDR charter, where regional communities will from now on be able to participate, let the cat out of the bag.

To be honest, the three theses are by no means incompatible.

8696
CSO: 3100/6

NATIONALIZATION, STATUS OF SALARIED WORKERS VIEWED

Paris LE FIGARO in French 14 Sep 81 p 7

[Article by Charles Haquet]

[Text] Conversations between employees of nationalizable businesses are very lively as may easily be imagined. First there are the wage earners of prosperous companies. They ask themselves if hard-won salaries and benefits will be maintained and if they do not risk being absorbed by worker categories whose wages are stingily fixed by a far away minister. But there are also wage earners who belong to firms in difficulty and who welcome the prospect of avoiding a layoff; for many of them it is the miracle of the secure job that is on the horizon. Those most involved in trade union activities--notably the militants in the CFDT [French Democratic Confederation of Labor] and CGT [General Confederation of Labor]--gird their loins to seize "this historical opportunity" which will allow them to have more power granted to workers.

For them, the nationalization of 1945 hardly benefitted the employees of the enterprises: "The condition of the conveyor belt worker in a nationalized firm has not been improved, they say, in comparison with that of his colleague who stayed in the private sector."

Naturally the trade unions are divided on the reforms to be achieved as, for many, it is necessary to stay within certain limits, notably those of the "total trade union power" in the factories, as practiced in the Eastern countries where the tyranny of the regulators and foremen of the union manifests itself essentially by a ruthless increase in work rhythm as told by workers of people's democracies and as shown in an excellent book by the only Hungarian intellectual banned by his government, Miklos Harazti.

The trade union sections of nationalizable companies have been working frantically--some for many months--on the reform plan that they want to see pushed through by their associations. All these studies envisage a real

participation of workers and managerial staff on three levels of business: in the workshop, in the "decentralized" factory, outside the Parisian center and of course in the decision making organizations of companies such as the board of directors.

This week, the day after the Council of Ministers, the CFDT published a communique to make it known "that nationalizations could achieve their complete efficacy on the human plane and also on the industrial, commercial and financial plane only if workers could intervene in everything relating to their working conditions, notably by the launching of workshop councils..." The term "workshop councils" raised some fears in industrial circles. However, if one listens to trade union delegates, it appears that the proposed structure would dispose of limited powers which in no way would block a management decision. In fact it gives workshop and office personnel an opportunity to speak out on their own working conditions: work organization, working hours, hygiene and security problems, studies of efficiency and performance in production, permanent training, participation in machine choice with obligatory consultation with users before investment choices etc. Following the Swedish practice, the trade unions hope to change the attitude of the wage earner who, as soon as he can exert a direct influence on his own work, becomes more motivated. "Can time thus spent--it can be 2 percent of working time--be considered as wasted: no, answer the trade unions if it is recognized that the industry with the industry with the highest performance, Japan's, gives prominence to consultation. They add that "the bonus consists in seeing the workers accept the new technologies, the new machines, which will have been worked out and developed together. Reactions of rejection in the face of a new machine are known: for example the strike of the PTT [Post, Telegraph, Telephone] center Paris-Brune was caused by an abrupt modification of equipment and working conditions. When important technical changes are underway this idea ought to be considered."

A second point of intervention: the case of salaried workers in a decentralized unit, separated from its social center. They demand--reflecting events in new industrial plants in the United States--that the research facilities be planned near the assembly lines.

In this electric company for example, workers have told us they were surprised to see studies relating to maritime products being made 600 km from the sea... The first claim of decentralized plant personnel is no more to be considered as second-rate establishments. Incidentally there is at present a conflict between a firm making television sets that are completely competitive with Japanese ones, and its employees who are indignant to see the mass production of the video disc which could insure regional prosperity, given to foreign countries.

To Be Aware of Evolution

Finally the wage earners want to be represented at the top. Each trade union organization recommends "its" formula. For some the administration boards of nationalized companies should be made up one-third by members representing the state, one-third by personnel delegates, one-third by representatives of local communities, the Plan, consumers or user associations etc. With others the formula of "business councils" is dominant: offshoots of managerial staff and wage earners which would be under control of another organism consisting of

public authorities, the Plan, users, local communities, etc. Some would easily go as far as "the trade union takeover," others, the majority, would be content to give the employees the possibility to be aware of the evolution of the firm, whatever it may be: "Only by the presence of State Mobile Police cars in the streets of Longwy were the steel workers aware that their plants were closed, and that is inadmissible," says this delegate.

Beyond the numerous problems which will arise, what will be the statutes for the personnel? An entirely new constitution or, on the contrary, the maintenance of present collective conventions in the different branches of activity--the main preoccupation still is the role of nationalizables in the economic revival, regional and national--and of the place accorded to white and blue collar workers. "If there must be a socialist director or foreman instead of the present director and boss who decide everything in our place, without consulting us, there is no point in nationalization." These chemical workers who wish that the next law on nationalizations includes rules which might not be adopted once the state of grace is passed perfectly sum up the situation.

8696
CSO: 3100/6

MONORY SEEKS TO UNITE OPPOSITION TO NATIONALIZATIONS

Paris LE NOUVEL ECONOMISTE in French 14 Sep 81 pp 104-105

[Article by Jean-Marc Biais: "Nationalizations: The Stockholders Awakening"]

[Text] They asked for cash compensation, but they will receive bonds depreciable over 15 years. This decision has not satisfied stockholders who are regrouping to defend their interests. Their leader is the father of the law that was to reinvigorate the financial market, former minister of the economy, Rene Monory.

In the past, stockholders have not used their ownership rights much. The Socialist government's nationalization project has stirred them from their silence. Associations to defend the interests of those who will soon be "expropriated" have been formed in most of the nationalizable industrial firms and banks.

These scattered battalions will soon find a flagbearer in Rene Monory. The former minister of the economy is preparing to launch, within the next few days, an association for the defense of savers. "I have a moral debt to the people that I led to the stock exchange," he confided to LE NOUVEL ECONOMISTE. "I have received many letters from small stockholders wondering what they should do. I could tell that these people were worried, and I think the time has come to create a political trigger that will crystallize this movement. I do not want, by the way, to limit myself to the problem of nationalizations. We of course must focus on the problem of compensation, but my goal is much broader: to defend savings in general and all the small stockholders, whether they bought their stocks directly or through SICAV [Variable Capital Investment Company].

After the stock which followed Francois Mitterrand's election, stockholders gradually regrouped and organized. The first to do so were those of the French Commercial Credit Bank (CCF). By 10 June, three of CCF's stockholders, Christian de Clarens, an insurance agent, Aldo Pequin, a small building contractor, and Paul Schmitz, former financial director of Lafarge, had sent a letter to 33,000 holders of registered securities. Their call was heeded. In a few weeks, more than 8,000 people joined. "Jean-Maxime Leveque's positions make us aware earlier and more clearly than others to the problem of nationalizations," explained Schmitz. The movement first caught on in the banks, but the awareness grew a little more slowly among industrial firms' stockholders. However, the latter are today almost all organized. In all, about

20,000 stockholders have been mobilized, some of them foreigners (especially for Paribas). "We hope to see have 100,000," estimated Philippe Gorre, one of the leaders of UDDAP (Union for the Development and Defense of the Private Stockholder), the federation of all the groups. "The vacation period was not good for us, but everything is starting up again. Mobilization is widespread. There has even been the birth of a real militancy among the stockholders. People are volunteering to put up posters..."

An involvement which contrasts with the passivity that characterized stockholders until now. In 1973, ANAF (National Association of Stockholders of France) was created, and in 1977, PRODAC (Association for the Promotion and Defense of the Stockholder). But these two organizations never had more than several thousand members. "We came up against the supreme indifference of the stockholders," Gabriel Renaud, former advertising agent and founder of PRODAC, admitted with bitterness. "Most of our activities failed. For example, in 1977 we got only 125 memberships for the Committee for the Defense of Stockholders of Steel Industry Companies, when 300,000 households were affected."

The stockholders' awakening would not have been possible if the different associations' founders had not benefitted from the total support of the management of the firms in question, of the banks and of all the financial intermediaries, which had not been the case previously. "Company managers looked on us as heretics," explained Renaud. "They did not give us any help. It was therefore quite difficult to get hold of the records in order to contact the stockholders."

But for the last 3 months the doors have been wide open. Banks and stockbrokers have been drumming up the holders of negotiable bonds on deposit with them. Some associations have even made use of the firms' official channels of information. Such was the case of ASCOBA (Association of Stockholders of the Banking Company Firms), where the membership application was slipped between the pages of the brochure that the president, Pierre Besse, sends to his stockholders each year. The latter, however, deny that they have been manipulated. The change in the clientele of transferable securities since the law of July 1978 also explains this change in attitude. According to the survey published by COB (Commission of Stock Exchange Operations) in April 1981, more than 1 million households have used the possibility of tax deduction that it proposed. Of this number, 550,000 were buying stock for the first time. This influx of new blood resulted in a slight lowering of the average age (almost 11 percent of stockholders were under 35 in 1979 vs. 9.3 percent in 1977), and, moreover, in reaching the working population (78 percent of the new stockholders are "active," with a preponderance of employees, especially mid-level managers, and of manual workers). This new clientele will certainly be quicker to respond than retirees, traditional holders of securities. The opinion of Bernard Missoffe, president of ASCOBA, is this: "The present movement is a result of the general movement of consumer awakening."

The associations should not let up the pressure after the government publishes the outline of its bill. Stockholders are asking for cash payment, but they will only receive 15-year depreciable bonds which could be indexed to the bond market.

A few companies will receive special treatment. For example, the state will acquire only 51 percent of the capital of Matra and Dassault. However, it has not yet been said how this takeover will be affected (increase in capital, takeover bid,

public offer of exchange...). For the financial companies of Paribas and Suez, former stockholders will be able to repurchase, under yet to be determined conditions and on the basis of their compensatory securities, the industrial investments previously held by these holding companies. As of Wednesday afternoon it was not known if the face value of bonds was to be calculated solely on the basis of the stock exchange rates of the last few (3-5) years, or if a firm's assets would also be taken into account. Only stockholders in the steel industry firms no longer have to worry about their fate: the state will be satisfied to change the claims it has on these companies into capital participation.

9720
CSO: 3100/987

PASOK'S SOCIALIZATION PROGRAM AFFECTS STOCK MARKET

Athens EPIKAIRA in Greek No 687, 1-7 Oct 31 p 23

Article by Ap. Strongylis: "Stock Market and Socialization"

Text With the price of a Bank of Greece share at 11,800 drachmas (compared to a 23,100 average in 1980) and of the National Bank at 10,300, the stock exchange is experiencing its worst days both in terms of prices and in terms of the general "climate" of the market. The latter is affected now by the electoral atmosphere which pushes the stock market index (shown in the table below) to its lowest levels. In addition we have the issue of socialization which is included in the PASOK program. Socialization enters the picture in the sense that the stock prices for those companies which are included in the socialization decline even more either because of rumors or as a result of the fear of the owners who rush to sell their stock thus further depressing prices.

Stock Market Index

The Stock Market Index with 1964-100 base year has developed as follows (average level):

Year	Banks/Insurance	Industrial/Commercial	General
1965	99	108	105
1971	636	393	481
1972	1,540	881	1,124
1973	2,280	1,305	1,605
1974	1,773	1,325	1,488
1975	1,562	1,138	1,303
1976	1,591	1,180	1,329
1977	1,937	1,226	1,484
1978	2,160	1,138	1,510
1979	2,041	952	1,384
1980	1,724	842	1,163
1981	1,478	736	1,006
(25 Sept)	1,489	683	976

It appears that those who sell under those conditions are likely to lose because in the event PASOK wins the election, there would not be much to socialize among the companies whose stock is traded in the stock exchange, and in any event socialization does not mean confiscation. PASOK has earmarked for socialization the credit system (banks), insurance companies, energy and public utilities, mass transportation and communication, large ex-import companies, large mining concerns, large shipyards, steel mills, cement and fertilizer companies and the pharmaceutical industry.

Companies in the Stock Exchange

From these sectors, we find in the stock exchange almost all banks, 4 insurance companies, 4 cement companies, 12 mining and 8 chemical concerns. Almost all banks are either state-owned or under state control; the insurance companies (except one) belong to banks and among the chemical companies one part already belongs to the state.

These facts show that the sectors scheduled for socialization are already under state control. The banks which constitute the backbone of the stock market represent more than 60 percent of all stock exchange transactions as stated in an article by stock market expert D. Stergiou. Taking out of the 14 banks the 3 which are private (Credit, Crete and Labor) the percentage of participation in stock exchange transactions is approximately 56 percent, that is, more than half. The stock value of the bank shares represents 54 percent of all stocks in the market, exceeding 20 million widely held shares.

Moreover, the net profits of banks represent approximately 50 percent of the profits realized by all the companies traded in the stock exchange, while dividends constitute 50 percent of the total, too. If we were to add the insurance companies /owned by the banks/ these percentages would be even larger.

The share of the banking sector in the stock market becomes obvious when it is compared to the cement companies which come next in line with the following percentages of participation:

In transactions	11 percent
In profits	9 percent
In dividends	10 percent

A large part of the shares of the four cement companies is held in the portfolios of state banks, insurance organizations, etc.

Phobia

These data show that as far as the stock market is concerned, 80 percent of the sectors earmarked for socialization are already (in one way or another) under state control. It is not precisely known what kind of socialization is planned by PASOK. Be that as it may, shareholders and especially small investors will certainly be compensated if the shares change hands. For this reason, small investors should not fall victim to fear or some clever manipulators and sell their shares at any price. The stock market suffers from many ills which affect stock prices much more than the so-called socialization.

7520
CSO: 4621/17

INFLATION, BALANCE OF PAYMENT PROBLEMS ANALYZED

Athens EPIKAIRA in Greek No 687, 1-7 Oct 81 pp 24-25

Article by K. Kalandzis: "Lower the Thermometer of the Two-front Disease"

Text Both major parties competing in the 18 October election evidently share two common concerns: inflation and the balance of payments. Both sides admit that the two problems are critical but they disagree on the causes and the possible future prospects.

The visible agony of the government is to "hold the line" and avert a worsening as much as possible and with whatever means until the critical date at the polls, at least "to limit this unacceptable damagogeneity which so greatly excites the naive," to quote a source speaking to EPIKAIRA.

The inflation rate was held down, thanks to the sacrifice suffered by the budgets of public enterprises and agencies (Greek Telecommunications Organization GTE, Public Power Corporation DEI--in part--Railways Organization of Greece OSE, Athens-Piraeus Electric Railways ISAP, Electric-Powered Buses of the Athens-Piraeus Area ILPAP, Olympic Airlines, etc.) which resulted from not increasing their rates commensurate with their costs. During the first 8 January-August months the consumer price index showed a 9.6 percent increase compared to 13.7 percent during the corresponding 8-month period. Barring unexpected developments--emphatically states Coordination Minister Giannis Paleokrassas--the target of 20 percent for the entire year will not only prove realistic but feasible.

Declining Demand

It appears that demand is also declining. This does not facilitate uncontrolled price increases except in the case of some commodities (feta cheese, meat, etc.) where demand often appears to be inelastic.

An indication of the softness is provided by the data concerning the development of the balance of payments which since July has shown certain signs of improvement marked primarily by a slowing down of imports.

The table on the next page, for the next 7-month period, shows that the July improvement does not fully succeed in changing the basically unfavorable picture except possibly in the final deficit of the current transactions balance where we find a reduction of 3½ million dollars compared to the same period last year.

FOREIGN EXCHANGE BALANCE
 (Current Transactions)
 January-July (7 Months)
 (In millions of dollars)

	1981	1980	Change
1. Imports	6,746	6,365	6%
2. Exports	2,932	2,405	21.9%
3. Balance of Trade	<u>-3,814</u>	<u>-3,961</u>	<u>-3.7%</u>
4. Invisible Earnings	3,427	3,222	6.3%
5. Invisible Payments	1,208	888	35.8%
6. Net Earnings (4-5)	<u>2,221</u>	<u>2,334</u>	<u>-4.6%</u>
7. Current Transactions Balance (6-3)	-1,593	-1,627	-2.1%
8. Capital Inflow	945	1,367	-30.4%

It is worth noting that in July imports declined by approximately 120 million dollars (or by 12 percent compared to an 18.5 percent increase in July 1980). The decline is not primarily due to fuel imports but, for the first time, to other imports of consumer goods (23 million dollars).

By contrast, exports continue to rise slowly (3 percent) resulting in a reduction in the trade balance deficit in July by 132 million dollars and transferring the positive effect on the 7-month balance of trade which, as shown in the table, improved by 147 million dollars.

Debt Is the Cause

The development is not equally positive in the case of invisible transactions. In July invisible earnings were about the same but payments increased by 100 million dollars resulting in a 113-million-dollar decline in the balance of net earnings during the 7-month period (as shown in the table also).

The main cause of the decline is not a decline in earnings which even increased during the 7-month period as shown by the following detailed data (in millions of dollars):

<u>Invisible Earnings</u>	<u>1981</u>	<u>1980</u>
Tourism	886	844
Maritime	1,125	1,009
Emigrants' Remittances	544	557
Other	872	812
Total	<u>3,427</u>	<u>3,222</u>

The decline is due to the invisible payments which increased by 318 million dollars, the largest part being in the form of interest payments for foreign loans (172 million dollars), insurance premiums, commissions, etc.

Government borrowing from abroad was limited by 235 million dollars during the 7-month period. The Bank of Greece borrowed only 254 million dollars compared to 563 million dollars during the corresponding 7-month period last year.

We may also note that the inflow of private business capital has continued at approximately the same rate (249 million dollars compared to 264 million dollars last year) as did the capital inflow for real estate purchases (286 million dollars compared to 298 million dollars last year).

For the first time in many years the country's foreign exchange reserves have fallen below 1 billion dollars (909 million dollars) because "part of it was invested in oil" (500,000 tons), according to Paleokrassas.

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CSO: 4621/17

LOWER BUSINESS PROFITS, HIGH UNEMPLOYMENT SEEN FOR 1982

Rotterdam NRC HANDELSBLAD in Dutch 15 Sep 81 p 7

[Article by Eduard J. Bomhoff, professor of monetary economy at the Erasmus University in Rotterdam: "Loss in '81, Even More Loss in '82, No Employment Opportunity Without Profit Opportunity"]

[Text] Just as in Poland, Dutch commerce as a whole must either not replace obsolescent machines or take on more credit in order to be able to pay suppliers, employees and creditors. The average business is operating at a loss in 1981 and will operate at even more of a loss in 1982. Therefore the additional natural gas profits still cannot be spent on "doing nice things for the people," but instead returns to business must first become positive again. If a "profit opportunity policy" is not practiced for a few years, the "employment opportunity policy" must indeed fail.

A few figures from the macroeconomic estimate are quite enough to show the decline of the Dutch economy in 1981: unemployment is rising from an average of 250,000 last year to an average of 375,000 this year and business's "capital quotient" has dropped from 7.5 to 4.5 percent. Even those who are not afraid of becoming unemployed themselves yet should consider what unemployment means to those who are directly affected by it. Then it must become clear that unemployment is our most serious economic problem, and that Vice Premier Den Uyl is right to want to evaluate every measure undertaken by the new cabinet of which he is a part on the basis of its effect on employment.

Capital Quotient

The figures about business's capital quotient which I mentioned above are never given as much attention as the unemployment figures, and that is why I am writing.

The capital quotient states what percentage of its net income Dutch commerce has available for four different kinds of expenditures: 1) interest costs on bank credit and other borrowings; 2) expansion investments; 3) corporate taxes, and 4) dividends to shareholders.

For the total of these four points, 7.5 percent of corporate income was available in 1980, and this year 4.5 percent. The capital quotient of Dutch industrial corporations is even lower than the average and was estimated by the Central Planning Bureau (CPB) this year at, let us say and write, zero percent. The capital quotient 8 years ago was still 19 percent.

Greater Losses

The director of the CPB, Professor Van Den Beld, and his staff estimate that the capital quotient will drop further from an average of 4.5 percent now to 3.5 percent in 1982. Just as in 1981, that will not even cover the--obligatory--interest costs, so that the average Dutch business must either borrow more in order to pay the interest on already outstanding debts or just decide not to replace aging machinery.

This development is particularly ominous because the CPB expects international commerce to increase next year. In the past, increasing world trade meant more profits for Dutch business. Now the further decrease in the capital quotient means that losses will simply increase. And then we are not just talking about what the papers call the spectacular losses of big business, but of a negative return for Dutch commerce as a whole, including the 600,000 self-employed, including those farmers remaining in the Netherlands.

Sinking Ship

Business's unheard-of loss position, according to the CPB's calculations, means that the number of jobs in business will decrease further and that unemployment will continue to rise at practically its present rate to about 500,000 by the end of 1982. I think that this figure is the most impressive of all of the figures which have been thrown at us recently.

And that figure about the jobless--we are talking about people--catches the eye more readily than the prognosis for a technical accounting term like capital quotient. Still, we are not doing the present and future unemployed any service by merely staring at the tragic results of the bad developments without thinking about the causes.

When a ship begins to sink, the most urgent question is not how many passengers are in danger of drowning, but where the hole is under the waterline and how to close the watertight bulkheads.

Subsidies

Dutch business as a whole is operating at a loss and expects even greater losses for 1982. Employment must continue to decrease until the remaining businesses can break even again.

What is the government doing about that, and what more could the government do about it? One method would be to support loss-producing businesses with tax money and furthermore to subsidize new investments. If we evaluate such measures on the basis of their effect on the individual supported business, then naturally employment is saved and perhaps even more work is created. However, the real point is the result on the economy as a whole, and at a capital quotient of 10 percent, for example, that may well be favorable. But at a capital quotient of 3.5 percent on the average

and 0 percent in industry, the running labor costs eat up approximately the whole net income. This leads to the following conclusion: Even if a businessman should get a new machine at half price, there remains the risk that still--just as is the case with the machines already present--nothing will be left over for interest, redemption and expansion--to say nothing of dividends.

Why then should a business want to take the additional risk and expand?

If, for example, a taxi company were to calculate that the income would be taken up entirely in wages, gasoline and service costs, then a governmental subsidy for the purchase of a new vehicle no longer provides any comfort. In addition to that is the fact that subsidies for capital costs change the price relationship between men and machines in favor of the machines. As a result, production is further automated, and given the current unemployment that cannot be the intention.

Investment Projects

If there is to be more employment again, then in my opinion the relationship between expected proceeds and risk must return to that of about 8 to 10 years ago, and on that account the capital quotient must increase from 3.5 to about 15 to 20 percent. Then many more investment projects will become possible again, and postwar Dutch history shows that at capital quotients like that there is always enough invested to keep unemployment low.

Research by Dr J. Keus into individual businesses confirms that profitmaking businesses still continue to expand, while employment continues to decrease proportionately as the business runs at a greater loss. In this study it is of secondary interest who is entitled to the remaining profit in the long run: share holders, employees, pension funds or oil sheiks.

Now that business as a whole has to expect losses in 1981, with even greater losses in 1982, without any prospect of improvement after that--a situation which has not ever presented itself since the war--it is unfortunately not possible to improve employment, by for example, spending the additional natural gas proceeds on "nice things for the people."

All additional means should, in my opinion, have to be spent to reverse business's loss position into a positive return, for as long as that has not happened the only certainty will be of more business failures and further retrenchment. There are 3.5 million Dutchmen working in the private sector. Their future depends on whether the average return there lies just below zero (as it does now and will next year) or becomes positive again.

Lever

Natural gas proceeds and other employment monies which are spent in order to bring about a reversal in average profitability exert a tremendous leverage on future expectations per guilder spent.

As soon as those have become positive again, economic growth can begin again, and only with economic growth is it possible to set the governmental budget in order again as well as to make room for new governmental tasks.

First the economy must be repaired; then the governmental budget will naturally come out right again, as well. Attempts to restore the budget first, while business returns are still negative (England) are almost as dangerous as the opposite policy, in which the collective sector is expanded while the foundation of the economy is not sturdy enough to carry it (the Netherlands up until a short time ago, France now).

Reorganization

In two other areas, policies can be pursued which are of great service to the economy and therefore to employment. First, it is necessary that the collective sector, including the social security system, be reorganized. In that area the Millions Bill contains good news. Indeed, it seems as though the social security system will be approached differently.

The chest is too heavy for the floor, and instead of looking around for a different, more fitting piece of furniture, up until now there has only been some sawing and shaving. But now it seems as though this practice will give place to a wiser modus operandi:

"In the development of policy variants, careful attention is to be paid to the manner in which governmental care is organized in other, comparable countries and to data concerning the quality of that care in those countries." (Millions Bill, 1982, page 50) In view of the fact that the CPB primarily restricts itself in accordance with the law to the prediction and charting of production in the Netherlands, the Ministry of Social Affairs and Employment will have to get the job of analyzing the social security system and the operation of the job market here and abroad. The fact that unemployment in Austria, for example, is still not 3 percent is attributable primarily to a different system of social security. In Austria the unemployment benefits are certainly low, but they are compensated for by a high children's allotment. There are also needful lessons to be learned from the FRG (apprentice system, health insurance money regulation) and from Sweden (additional schooling for adults).

Information and discussion about that is much more fruitful, as I see, than the ritual and insubstantial debates on the question of precisely how much those who earn one, two, three, and four times the median income will have to give up. The Millions Bill promises that in the future changes in social policy will be based on comparisons with foreign countries. With that, the perspective is created for the first time that we will be able to take a couple of big steps ahead instead of taking a small step back each year. All of that sawing and shaving has been tried for years and what help was it?

Labor Market

Finally--and perhaps most importantly--the operation of our completely deadlocked labor market must be restored. In this respect it does not help at all that now, once again, the discussion is being focused on the average expected wage increase, and the question of whether that ought to be reduced by a central wage reduction. The average wage increases too quickly because the average productivity is not rising enough, and as soon as we formulate the question in terms of productivity, it becomes clear that a central decree from The Hague cannot alter the case very much.

The rate of increase of productivity must be increased, but that cannot be done at a meeting of the SER [Social and Economic Council], but by clearing out the obstructions in the labor market.

A pair of examples:

The CPB writes that the demand for professional training directed toward business has increased sharply. This calls for a good apprentice system--like that in Germany--not only in industry but also in the provision of commercial service industry.

Business can finance this training only through subsidies (to be made up from higher tuition fees) or by means of lower youth wages. That sounds hard, but it is more important that young people who do not become students like many of their contemporaries also be able to invest in their future.

The problems in the housing market mean to many who own their own homes that they can no longer afford to move (transfer taxes, collapsed prices). For those who rent, there are, if possible, even more problems.

It remains practically impossible financially for an unemployed craftsman from Groningen to move to Gouda, the corner of the Netherlands, where unemployment is the lowest but where the housing market is very poor. Production in Gouda, therefore, cannot rise very fast, and as a result both wages and benefit payments are higher than they would be if the housing market worked better.

Wage Regulation

As difficult as it is to tackle the problems in the labor market and the closely related housing market directly, still I would expect more of that than of central intervention in wages. To be sure, that is much handier administratively, but it is no means to improve our economy and the rate of increase in productivity. In my opinion, wage regulation for 1982 can only be defended economically if true improvements in the labor and housing markets could not take effect as early as next year. Because of the time, one more wage regulation may well be necessary, but let it be the last one, for it is not really good news about employment in the future that 3 more years of wage decrees can be expected.

It would only be good news if on Sovereign's Day of 1982, along with the Macro-Economic Estimate a sort of "International Social Comparison" were published by Social Affairs and Employment, to include a policy plan for the social security system, technical training, the apprentice system and the housing market. It is along that path that profit opportunity and therewith employment opportunity will have to be restored for the remainder of the 1980's.

6940

CSO: 3105/3

DEN UYL PROPOSES PLAN AGAINST UNEMPLOYMENT

Rotterdam NCR HANDELSBLAD in Dutch 21 Sep 81 p 1

[Text] The Hague, 21 Sep--Wage earners will have to pay in 1.5 percent of their wages to finance the employment plan and social security payments, said Minister Den Uyl (social affairs and employment), Saturday evening [19 September 1981] on KRO [Catholic Broadcasting Association] Television.

Earlier that day he had already announced that he would keep on reducing the income differentials: he will continue to oppose those who say that there has been enough leveling.

During a talk period within the framework of the PvdA's [Labor Party's] "Red Saturday," he also said that "leveling remains unavoidable because there is less to distribute."

According to Den Uyl, the wage moderation of 1.5 percent per year for everyone will produce about 3 billion guilders per year for the treasury: of that, the minister needs 2 billion to help finance unemployment benefits. He wants to use 1 billion for the employment plan which must be begun within 1 year.

Den Uyl estimates the cost of that plan at 4 billion guilders per year. About 1.2 billion will have to be paid by Esso and Shell. Den Uyl wants to increase the state's share of NAM [Netherlands Natural Gas Co] in which both of these oil companies participate.

According to Den Uyl, if the situation remains constant Esso and Shell will have more than 4 billion guilders per year between them from the extra proceeds from oil and gas, and one-third of that must go to the treasury.

According to a letter from former minister Van Aardenne to the Second Chamber (13 July 1980), Esso and Shell will make 2 billion per year each in additional profits over the period from 1980 to 1984 inclusive. Thus Den Uyl's plans mean that Esso and Shell will have to pay in more each year than their additional profit.

This morning the two companies refrained from comment on Den Uyl's statements. It is not clear to them whether the minister meant 1.2 billion [guilders] per year or 1.2 billion over the coming 4 years.

Minister Terlouw (economic affairs) also did not comment this morning. "He does not want to enter discussions with his colleague via the media. They will do that Friday in the ministerial palace," according to a spokesman for economic affairs.

Den Uyl wants to get the remaining 2 billion for the employment plan from further alterations (about 1 billion), while the banks, insurance companies and financial institutions will have to cover the remaining 1 billion.

6940

CSO: 3105/3

ENVIRONMENTAL GROUPS PREPARE FOR ELECTION

Brussels LE SOIR in French 11/12 Oct 81 p 2

[Article by Guy Duplat: "The 'Ecologists,' a Diffuse Movement Which Is Trying, With Difficulty, To Structure Itself"]

[Text] Who are the environmentalists and who are those who are running in the elections? It is very difficult to answer this question simply, because the ecology movement in Belgium remains so diffuse and fluid. Numerous groups and small groups feel they are "environmentalists." A great many people feel close to the "green" ideas. But this aspiration of part of the population to another outlook, to another life, is still not very formalized and not very structured.

A first section of the ecology movement is represented by the Interenvironmental Associations of Wallonia, Brussels and Flanders.

In Brussels, the Interenvironmental Association is managed by Rene Schoonbrodt and unites nearly 100 neighborhood committees. Their themes: the city and the inhabitants, public transportation, the fight against the expansion of EEC buildings. Struggles which should be seen in an institutional context. Limited but specific objectives.

In Wallonia, the Interenvironmental Association with Francois Roelants, concerns itself more with problems related to water, natural preserves and nuclear energy. This association is the spokesman for the Walloon Action Front against the nuclear power stations of Chooz, which brings together members of numerous political parties and unions.

At another level, we have the "Friends of the Earth," divided into two groups. First of all, the ASHL [Nonprofit Organization] of the "Friends of the Earth" itself, which exerts pressure against nuclear energy, for the respect for the environment, etcetera. Non-violent, and legalistic, these members have been trying for years to regroup the "green" forces under their political list: "Ecolo." They are the ones who are at the root of the movement which will run in elections in every district.

In Brussels, in addition to the "Friends of the Earth," there is the free network of the "Friends of the Earth," which shares the same objectives as the other group but wants to be less dogmatic, more spontaneous. It is behind the counterfeit tram

cards operation, which have been distributed in Brussels for a year now to protest the cost of public transportation. It is the network which chartered a train of Belgian volunteers to clean up the Breton beaches following the shipwreck of the "Amoco Cadiz."

Roughly speaking, the first "Friends of the Earth" want to be more structured, with a strong control over the actions of its members, whereas the others want more freedom of action.

Anathemas

Next to these main movements, there exist numerous small groups who claim to be "environmental." On the right of the political spectrum, we have the brown bread merchants, the friends of the animals, the protectors of the green spaces, etcetera. On the left, the anarchists, the more violent groups such as those who last year damaged the ship "Andreas Smith" in Zeebrugge, or others such as the "Madly Dynamic Daily Cyclists."

All these groups have difficulties rubbing shoulders with each other, and sometimes utter reciprocal anathemas at each other.

In Flanders, the equivalent of the "Friends of the Earth" led their list "Agalev" into the last elections and will do so again this year. Environmental groups are also very numerous here, from "The Green Cyclists" to the VAKS [expansion unknown] and the BRAC [Federation of Religious Anarcho-Communists?].

As Olivier Delleuze, vice president of the Interenvironmental Association of Brussels put it, "there is no common ground between the aspirations of the people and the bad organization of the ecology movement; it is the opposite of the communists. We must try to structure the movement. The differences in points of view are both its strength -- it can expect strong popular support -- and its weakness -- it remains ambiguous about numerous problems."

The first ecology lists appeared in 1976 in the municipal elections. In the legislative elections of 1977, there were lists in Wallonia and a list in Brussels. In 1978, there were two of them in Brussels (Ecopol and Ecolog). In the 1979 European elections, only one list remained, "Ecolo," which obtained 5.1 percent of the votes in Wallonia and in Brussels.

The "Ecolo" movement, which submits lists everywhere, has the support of the Interenvironmental Associations and obviously that of the ASBL of the "Friends of the Earth."

Its leader is Paul Lannoye. A physician and former member of the Walloon Rally [RW].

In Wallonia, the preparation of lists should not pose too many problems, even if there might be dissident lists in a few districts.

Brussels Battle

In Brussels, on the other hand, the battle is "total." For months, the "Ecolo" movement had been negotiating the preparation of a single list for Brussels with the Brussels ecologists. But they set one condition: Luc De Brabandere, the leader of the free "Friends of the Earth" network in Brussels, who had been at the top of the Ecopol list in 1978, could not appear anywhere near the top of the list. This exclusion became complete later on: his name could not appear anywhere on the list. Official reason: for several years, Luc De Brabandere had no longer resided in one of the 19 Brussels municipalities.

In reality, this exclusion was the result of personal squabbles with Paul Lannoye and of a different understanding of environmentalism. The Brussels battles should produce a multiplication of lists in Brussels.

The "Ecolo" movement will submit its list, probably headed by Olivier Delleuze, 27 years old, and, let us recall, vice president of the Interenvironmental Association of Brussels, or possibly Francois Roelants from the Interenvironmental Association of Wallonia.

Those environmentalists, who are disappointed by the exclusions from the "Ecolo" movement, could join the "Radical Party." This party, which has ties with the Italian "Partito Radicale" of Marco Panella, is known. For several months now it has been conducting "shock" actions against hunger in the world, against the gendarmerie sheets and in favor of the decriminalization of abortion.

The Radical Party, to which the "Ecolo" movement had offered second place on the list, claims to be "disgusted" by the intolerance of the movement and is thinking about submitting its own list, which unites all the alternative forms of struggle in Brussels: ecologists, feminists, non-violents, libertarians and others. Luc De Brabandere could run there.

In addition, there will in all likelihood be an ecology list from the right: "Ecolog." The ecology movement of the "right" does exist. In France, it can be estimated that one-third of the ecology votes in the first round of the presidential elections were cast for Valery Giscard d'Estaing.

If we also add a "Direct Democracy" list at the instigation of Michel Graindorge, we can see that there may well be a multiplicity of lists in Brussels which all, more or less, hunt on the same land. Which, among other things, could be dangerous for the "Ecolo" movement in Brussels.

8463
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FDF/RW COMMON TICKET CAUSES DISSENT IN RW

Brussels LE SOIR in French 6 Oct 81 p 2

[Article by J.v.H.: "FDF-RW, A Common Abbreviation, But the Walloon Party is Breaking Up: P.-H. Gendebien is Resigning"]

[Text] The approval, Saturday afternoon, at Namur, by the Office of the RW [Walloon Rally], of a common abbreviation with the FDF [Francophone Democratic Front], with a view to the coming elections, led to the resignation of Deputy Paul-Henry Gendebien. Senator Yves de Wasseige likewise resigned from his post as secretary-general but did not leave the party. Former chairman Gendebien took with him 18 members of the office (out of 163), including especially two vice chairmen, Mr Paul Nopere (Soignies) and Mrs Marie Caprasse (Liege). They are believed to have the intention of joining the "independentists" and the ecologists.

A five-point resolution was passed in the federation office which met under the chairmanship of Mr Henri Mordant.

The first of these points asked the assembly to approve "the abbreviation FDF-RW for its presentation in the affiliated slates." There was a call for an immediate vote and the outcome was 91 "yes" and 70 "no" with six abstentions.

Following this vote, Mr Gendebien immediately submitted his resignation to Mr Mordant. He left the room, followed by his friends.

As for Mr Yves de Wasseige, he declared that he had set himself the task of maintaining party unity. "I can see," he said, "that I did not pull it off and consequently ask the chairman to relieve me of my position." That position was then taken over by the former secretary-general, Deputy Joseph Fievez who will hold this job temporarily until the next party congress. Mr de Wasseige also said that he would not have his name placed on an affiliated slate but that he was ready to show up on a slate of the RW itself.

The Various Currents

The other four points were then adopted by 110 votes in favor, 34 votes against, and three abstentions. The RW believes: "That the election campaign must promote the economic, social, and cultural programs spelled out both by the party congress and

by the institutional accord signed on 17 January 1981; it reasserts the autonomy of the FDF and the RW, particularly regarding the control exercised by each of them over its own election slates; after the elections, it decides to hold a congress to analyze the strategy pursued and to be pursued by the party; it stresses the need for working out election slates which will reflect the different currents in the party."

We note that among those who followed Mr Gendebien are the officials in charge of the regional offices of Soignies, Verviers, Western Hainaut, and Thuin.

Mr Gendebien Forming a Cartel With the "Ecologists?"

In an announcement released to the Belga news agency, Mr Gendebien declared: "The FDF has managed to put one over on the RW." He declared that he was on the side of Brussels but he said that he was convinced that the merger between the FDF and the RW is not good for those two parties. He noted: "The desire of the FDF to turn the RW into a satellite, the absence of a clear understanding between the two parties, a serious mistake on the institutional level (the choice of the community to the detriment of the regions), the desire to continue to negotiate and possibly to govern with the Flemish parties, and finally the abandonment of the ideas of social progress contained in the 1976 RW manifesto."

In conclusion, Mr Gendebien indicated that "for him, the Walloon fight continues." And "I will say how in a few days."

Let us point out that Mr Gendebien had already declared, during an earlier meeting, that he would leave the party. He repeated that it is useless to discuss institutional issues within the national framework. "Belgium is finished," he repeated.

On the other hand we learned that Mr Gendebien and his friends have for quite some time already been discussing with the leaders of the ecologist movements to draw up cartel slates with them. If no agreement is worked out, they are thinking of putting themselves on the "Wallonia--Econology" slates.

Finally, we must recall that Mr Gendebien is also an European deputy and, quite paradoxically, that he was elected in June 1979 on a common FDF and RW slate. At the time, he had even campaigned with Mrs Antoinette Spaak. Mr Gendebien so far has not revealed whether he would or would not resign from his office as European deputy.

5058

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LIBERALS' DE CROO ON PARTY'S ALLIANCES, ECONOMIC POLICY

Brussels KNACK in Dutch 16 Sep 81 pp 20-23

[Frans Verleyen and Johan Struye interview Herman De Croo: "A Liberal Party is the Labor Union of Democracy"; date and place not given]

[Text] Next month PVV [Party for Freedom and Progress] President Willy de Clercq's statutory term of office will come to an end and he will be up for reelection. He is not too happy that Chamber member Herman De Croo is running against him. Although De Croo tried to be as courteous as possible without hurting anybody, his analysis of what modern Flemish liberalism ought to be contained a lot of criticism. He is not so enthusiastic about all the cutbacks because he does not believe that people are getting too much, but that institutes are getting too much. He deplores the more or less historical split between liberalism and socialism in Belgium. In an inspired interview he said that it had only benefited the CVP [Catholic People's Party].

Question: In the role of chairman what can you do better than De Clercq for liberalism?

Herman De Croo: The liberal current is undoubtedly doing well in Belgium and in Flanders but it must penetrate deeper. However, to make the PVV more attractive we should really make a liberalism for active persons our goal. The challenge of the day is that we have two categories of people: taxpayers and people who live off this tax money. The balance between taxpayers and taxeaters is now so upset that the payers are trying everything to lighten their burden. They work illegally. They promote a parallel economy. They avoid overtime to get away from even higher taxes. In short, they are cutting down on their contribution to economic recovery. The taxeaters on the other hand, try to safeguard their position by defending themselves against the political democratic principle of quantity. The opponents are fighting it out from these two logical positions which neither side chose voluntarily and both are unhappy about. To solve the situation we must choose from two options. Either we believe with Mitterrand and the socialists that we create more happiness with even more government intervention to smooth out the conflict between taxeaters and taxpayers, or there is nothing else to do but increase our economic prosperity and enrich our society to restore the fragile balance. That is my choice but it will only work if the draft horses are really given free rein. The pressure on the wagons which carry the economy of our society forward should urgently be spread out over more wagons. I am afraid that present Belgian policies are actually impeding this process so deserving of encouragement. The system discourages people instead of encouraging them. The urge to work hard, to perform overtime and promote progress is even penalized. I see nothing but masochistic measures.

Question: Can your PVV become the driving force of such a movement? Why is it currently failing to do so.

De Croo: Our shortcoming is that not all Flemish liberal forces are behind the PVV. Too many things are slipping through the meshes of our net. We do not attract enough people who should be supporting us and we catch too many who do not belong in our system. We are even looking for support where it cannot be found. That diminishes our credibility. I notice that a portion of the liberal forces is active in a section of the CVP, I see liberal economists on the ramparts of other parties. There is a lack of confidence because too large a section of liberal dynamics in Flanders is not represented by the Party for Freedom and Progress.

Question: How far to the right do you have to extend your recruiting? Or don't you find that opportune?

De Croo: I am not a rightwing politician. I often find the left excessively generous and incompetent, and the right, generally speaking, not generous enough and also not too competent. But this is not our dilemma. If we are the credible alternative and we receive encouragement from the electorate in this respect will we then be able to do our job? If we are too slow we will be left behind. If we do not make our move, we become superfluous. Under Martens' third government we proved without realizing it that we did not feel up to our task. We lost it all. There were more expenditures than we should have allowed and less cutbacks than ever before, while all incentives were swept away. The elimination of cumulative effects, of ceilings; not even an alibi appointment remained. Our jumping horse is handicapped by the fact that the public seems unconvinced that it wants to jump over the hurdle.

Question: Government expenses went up by almost 25 percentage points when Minister Willy De Clercq developed his program legislation under the first Tindemans government. Are you not also affected by the stigma of cooperation with such nonliberal actions in various governments? The PVV youth is seeking a more scientific backbone for the movement, why is the PVV not concentrating on this point with more deliberation?

De Croo: I have faith in the actions and ideas of these young persons but this is something they acquired too recently and it is still too fragile. The days that they sued each other in court for money are fortunately over but it was only 4 years ago. Our party is perhaps an old horse in need of a new saddle. However, half a million Flemish voters should be treated with a certain degree of care. One should not hit a horse with a whip, it could become unmanageable. I am afraid we would stumble if we took off with a totally new ideological tenor. In Kortrijk I helped set up the youth program but it contains an electoral and structural risk. If too much red hot liberalism is poured over the local big shots we must also reckon with, the fire could go out completely. At 44 years of age, I feel like a hinge between courage and self-control. I still have enough impetuosity but I have already learned some horsemanship.

Question: Your present chairman is now campaigning in a down-to-earth and populist manner. He brings his diet proposals on the market place: "Make the state leaner." But there are so many markets in Flanders that he will probably never be finished. Is not the PVV's Achilles' tendon its lack of scientific liberalism?

De Croo: A party chairman should not be like a bell which must be struck constantly to let it ring. My party is to me not just an opportunistic and temporary phenomenon but the political expression of a fundamental choice within the society. It is not my duty to sell a cause but to realize the convictions of a group of people with a detailed vision of society.

Question: How can a Flemish liberal party convince people that it is capable of changing things?

De Croo: Nothing will change just because the PVV wins the election. That is not the point. The question is whether the people can believe that with the PVV change is possible. The leader of a political formation or a government should be like yeast in the dough forcing change to the surface. It is a handicap that the Flemish are such introverts. They must be motivated to express themselves, we must force ourselves to think multinationally.

Question: Are there still possibilities in the Belgian political scene?

De Croo: If I did not believe that, I would be sailing surfboards in California for the rest of my life. I believe nevertheless that there is something in this nation of small shopkeepers, jealous people, grumblers, sermons, and all things human. This is also the nation of the people of Burgundy, of the men who created Brugge and Antwerp, Bekaert and Cockerill, and the streetcars in Heliopolis and the entire world. We are flabby, like a rubber band which has been overextended. We must tighten our slingshot again. The world is overflowing with money. We must let the Arabs come to us.

Question: As candidate for the chairmanship, you are asking for power. And there you are, confronting your king with 400,000 unemployed, a deficit of hundreds of billions of francs on the balance of payments, and just as much in foreign debts redemption payments?

De Croo: Next year we can no longer borrow funds; we should therefore concentrate all our efforts on foreign trade. Selling, services, brains management, products. We must strengthen the competitiveness of our exports, help push our products, subsidize if necessary, put all relations to work, Prince Albert, everybody, let us go. There is a lot of psychology in economics. All that excess money in the world falls into the hands of those who create the impression they are going to put it to work. The Arabs can not go on spending it, why not offer them the investments they are seeking? Take offshore banking. In exchange for a small percentage, a country behaves as if certain funds are nonexistent, that they are not entering or leaving the country. Just like bankers who convince young and intelligent families to invest their money; funds will be received if one only creates the impression that one is rising from the grave. I am sick of a society of palliatives like the one we have created, with all those bandaids on all those wooden legs and the mentality of Job on his dung heap.

Question: Do you dare to advertise slogans? Prosperity in 6 months?

De Croo: I hope that we will have confidence in ourselves within 6 months, I really do. I believe in the rear-view mirror. We have little influence on what will happen between yesterday and tomorrow. We are a small nation of small entrepreneurs and small profittakers. We let the state give us everything we wanted, greedily we sucked its nipples. That cow has no longer any milk. Nevertheless, we are full of possibilities and dynamism which we neglect because we were absorbed in that cow.

Question: How are you going to change that mentality with 1 million government employees?

De Croo: We cannot ignore that, but must convince the other people who must pay that it is not such a heavy burden, that that obstacle can be overcome. Now everybody wants to be under that udder because people are afraid in an economic sense. I believe that a nation can be put back on its feet by developing the correct balance between certainty and uncertainty. I am talking about confidence. People can only be enticed to take a step into an area of uncertainty if they are confident that such a move is not too dangerous.

Question: That is the way Jesuits do it.

De Croo: Exactly. I am a man of Burgundy, a product of a Jesuit education, and that gives me a somewhat different perspective of our limits. We prefer counterreformation. Our society is now overinsured, like flowers given too much water. Only somebody who inspires confidence can get the uncertainties moving again and use them as levers.

Question: "Belgium swings again." How do you get that on the front pages of the world press?

De Croo: Tell the New York chamber of commerce that France presents the risk of socialists, Holland has its demonstrators against bombs and Germany is full of zealots who will again turn to the East in an unguarded moment. The following methodology cannot be faulted: they must come to Belgium with their branches.

Question: When in 1954 the Van Acker government was formed, the responsible press wrote that the "left" had won. The country was paralyzed by poverty, the fifties were the start of the policy of expansion. In that time of crisis, a coalition of liberals and socialists remained in power for 4 years. That good old coalition was later mysteriously dissolved, contrasts between liberals and socialists became polarized on the basis of economic principles. Has the founding of the PVV caused this split with the left?

De Croo: It began with Lefevre-Spaak. I believe it was in 1961 that the socialists became hoodwinked by the so-called leftwing of the CVP. That process is still going on. Exactly the most leftist socialists are still being taken in; in all their work sessions they are even encouraging this attitude and praising it as the only thing to do, the truth, and life itself.

Question: How did the CVP succeed in causing such lasting disunity among all other political parties?

De Croo: Safety in togetherness is the name of that prescription. The most amazing thing is that since 1954 the CVP has lost 52 seats in Flanders and Wallonia, it is the loser on points but lets everybody believe that it is winning. When the CVP still had 106 seats in parliament it brought the minorities of socialists and liberals together. A blue and red front with combined slates in Limburg and Luxembourg emerged. That is only 20 years ago and it was at times already so during the nineties of last century. The CVP made then its most clever move and up till now the socialists have been holding the bag. To deceive the world, the Christian democrats split into two parties and they keep playing this role with virtuosity. They have one wing to

placate the liberals and another to lure the socialists to their graves. Once in a while these wings even succeed in taking over our parties by injecting their ideas. We have shown better resistance than the socialists, who became inflexible in their comfortable government positions. They made the government their fief, they hold onto that portion of the government machine they are used to controlling, they cannot even get along without their ladder of appointments. They have become a party of professionals; they can only play as professionally paid players. Because we have not been in power often enough we are less attached to such paraphernalia. Chairman Grootjans was the first to react. He understood very well that the CVP moved along two sidewalks at the same time, one for the rich and one for the poor. Under such conditions Grootjans thought of creating a center for the classless. Because the CVP, which dares to call itself the political center par excellence, does not really have a center. It has a leftwing and a rightwing, but not a center. Its policy is to first arrive at an arrangement between its two sides and then to talk to the world. But they have nothing to say any more, that difficult exercise has come to an end. The CVP cannot permit itself to express its opinion on any sociological problem, not even on abortion. Only under Wilfried Martens did the CVP appear to gain a little, nevertheless it had to take a 25 percent loss. It had 106 seats under du Bus de Warnaffe, under Leo Tindemans only 81 seats were left. But that did not faze the party, it invented the Egmont trap and regionalized this nation. In a unified Belgium 107 seats were needed for a majority. Now that the country is divided into two parts a majority in one-half of the nation is enough to be the boss. Formerly 107 seats were needed to take command, but the CVP is now doing so with 59 candidates. Cleverly played, but it remains a violation of democracy that one-quarter of the votes can dominate the whole nation. Spitaels, the product of Jesuit education, (coming from me this does not have to sound pejorative) with his pitiful 32 representatives is allowed to assist the boss. We are now saddled with two minorities in complete control of the rules of the game.

Question: But not even in Germany can a coalition of socialists and liberals be kept together. Is there no alternative for this Christian democratic minority which so cleverly divides its opponents into nationalists, bureau-socialists, and boutique-liberals?

De Croo: What this country needs if for the CVP and PSC [Christian Social Party] to be relegated to the opposition. Not only would it be good for the country but also for the CVP itself, but that is not my business. If I would be allowed to hold something against Willy De Clercq and some of my friends it would be that they ran our party in such a way that an alliance with the socialists has become difficult. With the modest means at my disposal I have always fought against one-sided criticism of socialists and my conduct in the School Pact Committee always reflected this attitude. I am convinced that liberals can only breathe freely if alternatives are possible. I do not want to be the coachman of the CVP coach. After a century and a half of domination by the Catholic party I have been able to establish a coalition with the socialists in my municipality, that is quite an achievement. For a nation, it is sociologically not right for the same party to remain in power for a generation. I will do my honest best to change that. I am telling you this with peace of mind and after due deliberation.

Question: Including the contributions in the budget, our nation spends 600 billion francs on social policies. That requires an enormous redistribution mechanism. Do you want a reduction in these expenses?

De Croo: That is an old-fashioned way of thinking because it is not the point. The reality is that next year there will not be 600 billion francs and yet we will have to spend them. The big question is where do we get that money. It is therefore nonsensical to have a life or death fight for a shrunken portion, even the winner will get less. It is our task to find a system allowing us to make more money available for everybody.

Question: As a liberal do not you say that these expenditures are wrong, ill-advised?

De Croo: I am looking for more profitability, and I want it materialized. It is unfortunate that redistribution does not move money from one pocket to the next, it goes via a third pocket and that makes it too expensive. Our systems of redistribution (welfare, funds, union, pension funds) are like steam locomotives with only 40 percent energy from a ton of coal. The rest evaporates through walls without proper insulation. Our systems of health care, education, etc. must become as efficient as possible.

Question: As a liberal are you asking that the welfare state be abolished?

De Croo: If abolishing the welfare state would be a handicap for improvement of our prosperity, I would be against it. It is, however, less a matter of slimming down the welfare state than giving it more muscle with retention of its present size. No weight reduction but body building. I am not possessed by a spirit of retaliation based on the idea: They got too much in the past, we are now in a crisis, we are delighted to take it away from them. Why shall I deprive a widow of her 12,000 franc pension? I am not so convinced that a lot of people are taking advantage of the situation, I believe that there are too many mechanisms. Why do we need so many clinics, universities, schools, roads, organizations, etc? We have reached the point where the recipient of social benefits has become the alibi for the structures themselves. We should not fight the recipients of welfare but the institutions which have usurped the power of the state's decisionmaking bodies. It is, therefore, a much more difficult fight. Paris has 3 scanners, but there are 22 scanners for the entire population of Belgium of about the same size. Who is profiteering? Not the people who are being scanned. Liberalism of the left means to me that my party will not become the spokesman of a certain class as opposed to another class. I do not want a liberal party in the name of certain interest groups, against another party representing a different kind of group egotism. A political party is the syndicate of the electorate, the labor union of democracy.

Question: Are not you tainted by Israel, by Mobutu, by all the big money you pursued all over the world?

De Croo: My law office is my living. Have you asked my friend Anciaux of the Volksunie [People's Union] who his patients are, and if that would be known, what their illnesses are? I do the right thing for my clients and their businesses and it is my mentality to enrich the country. I say to the sons of my clients: young man, go West. Is not it better for everybody concerned that my income consists of the small fees a thousand different clients are paying me for my work than that I would, for instance, be the wage slave of a particular syndicate? I do not have a boss. I take pleasure in my independence. I do not even need a political career for a living. On the other hand, my income is much smaller than some gold finches are making in government jobs and associated services. I am prepared to present a written statement of my financial and business connections to the parliament if it were required of politicians. It is 10 years ago since I was in Israel for

the last time, I also happen to admire the way they solved certain problems. That takes care of that. As far as Zaire is concerned, I believe that 35,000 jobs and net earnings of 22 billion francs per annum after deducting development assistance payments are worth maintaining the ties with those people. I have nothing to say about its government, Prime Minister Martens is the expert. Zaire is our best window on the world. If President Reagan would ever ask for Brussel's opinion it would be about Zaire. Zaire is the balloon which lifts our basket over the world. If we value the importance of our ties with the rest of the world, we should not turn our backs on Zaire. Would any liberal in the whole wide world turn his back on Belgium because Mark Eyskens is prime minister here and not Herman De Croo? Because our king belongs to the House of Coburg instead of Habsburg?

Question: Would you mind telling us quickly again the other wrong things you are so in favor of?

De Croo: With pleasure: NATO, even the missiles, and, if it becomes unavoidable, also the neutron bomb. In the company of Henri Simonet and Francois Mitterrand, I am apparently not leading the ultrarightists. I consider atomic power plants as indispensable during the transition phase; nobody builds more of those than Comrade Brezhnev. The missiles appear to be cultural impediments only to people who sing hymns on German Days of the Church. I am only interested in the fact that our Russian friends only understand discussions with opponents of equal strength. When those men in the Kremlin stamp their boots I do not want to jump to attention. That is my style.

10319
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KOHL CANDIDACY MADE UNCERTAIN BY RIVALS SPAETH, STOLTEMBERG

Hamburg DER SPIEGEL in German 28 Sep 81 p 20

[Text] Gerhard Stoltenberg announces his position that Helmut Kohl should not automatically become the candidate for chancellor in the event the Bonn coalition collapses prematurely.

The minister-presidents of the Laender with CDU governments wanted a grand appearance and got it. The Second German Television network [ZDF] celebrated something last Friday that had not happened for 4 years, a live broadcast from the Bundesrat.

"The ZDF is, after all, a Laender institution", commented Schleswig-Holstein's Gerhard Stoltenberg suggestively.

The savings debate in the Bundesrat became a parade of Christian-Democrat stars. The Baden-Wuertemberg government chief, Loether Spaeth, for example, performed as a far-seeing politician and financial expert with an iron savings hand. Stoltenberg, the man from Kiel, used the occasion of the broadcast to lay bare the federal government's 1982 budget proposals point by point.

The provincial Union Christians' show had deeper meaning. They wanted to demonstrate to the electorate and to the liberal-social government in Bonn how opposition based on solid substance should be conducted. Beyond that, the local chieftains wanted also to give their party chairman and opposition leader in the Bundestag, Helmut Kohl, a lesson and get some publicity for themselves at his expense.

For on the subject of the savings draft proposed by the liberal-social coalition, nothing special had occurred to Helmut Kohl, the "unknowing among the knowing" (SUEDDEUTSCHE ZEITUNG). The CDU chief had by no means demonstrated that he was the man with the competence and the charisma to attract the Free Democrats to change over to the side of the Union at the time of the most serious crisis the SPD/FDP coalition has had up to now.

On the contrary, in a situation in which a collapse of the Bonn coalition never appeared nearer, Kohl's competitors no longer consider themselves bound by an understanding reached shortly after the last Bundestag elections. The CDU leader had extracted a promise from the members of the executive committee of his party to postpone the contest for a new candidate for chancellor until 1983.

Franz Josef Strauss showed his gratitude at that time when, thanks to Kohl, his election defeat drew no harsh words from the CDU. If the Union should receive an opportunity to name the chancellor before 1984, Strauss gave public assurance that "in accordance with old parliamentary custom, he should be the chairman of its parliamentary group". That such promises were no longer valid was made clear by economic expert Stoltenberg in a conversation with DER SPIEGEL last week. Highly praised as his dream chancellor by the liberal Federal Economic Minister Count Otto Lambsdorff, Stoltenberg nevertheless declared "that we should avoid allowing ourselves to be talked into a debate on personalities by our critics or even our friends."

But he himself started one immediately. He is not interested in an automatic selection whereby Kohl would be chancellor following a premature coalition collapse. He let it be known that in that event another could be chosen. "The parliamentary group must reach its decision democratically if the government falls.... It would certainly be highly questionable if I were to announce a result at this time."

And, "should the coalition in Bonn collapse, the question of the selection of the members of a new federal government must be discussed trustfully and openly."

Stoltenberg did not mention the candidate Stoltenberg: "I'll leave that to others."

After long hesitation, the 52-year-old North German is venturing out from behind his dunes because he sees his time coming. Chancellor Helmut Schmidt is wearing himself out, Kohl's reputation is crumbling, Franz Josef Strauss and his CSU, Stoltenberg believes, support him.

As early as 1975 Richard Stuecklen, who was at that time still the leader of the Bonn CSU land group, implored the man from Kiel to offer himself and thereby to obstruct Kohl as a candidate for chancellor. But Stoltenberg did not have sufficient confidence to do so.

Strauss now claims that he would "not have gotten into the act at all" in 1980 if the CDU had not first chosen Ernst Albrecht from Niedersachsen as their candidate but had named Stoltenberg as the challenger to Helmut Schmidt.

While Albrecht poutingly denied the Bavarian his help in the election campaign and for that reason has poor standing in the CDU, while Kohl all too routinely delivered his obligatory support, Stoltenberg joined Strauss' shadow cabinet despite the prospect of a Strauss defeat. The CSU is in debt to Stoltenberg.

But he still hesitates to go all the way. A compromise would indeed be preferable to him. He is prepared not to campaign against Kohl in the election of a new CDU chairman at the party congress in 1983 if Kohl, for his part, is willing to grant the Schleswig-Holsteiner the honor of being the candidate for chancellor.

As for his rival Spaeth, Stoltenberg has no need to concern himself for the time being. "I'm not aiming at '84 at all", the Baden-Wuertemberg minister-president told DER SPIEGEL on Thursday last week. First he would like only to increase his reputation as a financial expert and at the same time also strengthen his ties to Count Lambsdorff.

Spaeth is playing for time. The Stuttgarter "does not at all exclude" the possibility that the CDU chief might once again succeed in becoming the candidate for chancellor as in 1976, because Kohl has wide support from the party rank and file. The preference for the experienced loser is self-serving. "Other posts do not interest me at the present time," said the Baden-Wuertemberger.

But "I'm of course not saying that with respect to '88".

9827

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SPAIN WOULD PULL OUT OF NATO IF NO PROGRESS ON GIBRALTAR

Madrid EL PAIS in Spanish 9 Oct 81 p 11

[Article by Pablo Sebastian: "Perez-Llorca Claims That Spain Will Leave NATO If the Decolonization of Gibraltar Is not Achieved"]

[Text] Yesterday, the Foreign Affairs Commission of the Congress of Deputies authorized the government to conclude Spain's affiliation with the North Atlantic Treaty. The authorization, which must be ratified by the Congress Plenum, brought a final end to 3 days of debates on the form and essence, and on partial questions regarding that affiliation. In the final session yesterday, the discussion was concentrated on very specific topics. At it, the minister of foreign affairs, Jose Pedro Perez-Llorca, claimed that, "Spain will leave NATO if, once it is in the Atlantic alliance, the decolonization of Gibraltar does not progress." Moreover, the government did not agree to include Ceuta and Melilla in the affiliation protocol.

In a resounding speech at the conclusion of the morning session of the Congress Foreign Affairs Commission yesterday, which ended the debate (prior to the Plenum) on the government's request for authorization for the affiliation with NATO, Minister Perez-Llorca declared: "The Government has decided to take the risk of going ahead with the NATO process, despite the fact that the solution to the problem of Gibraltar is pending." The minister said that, by entering NATO, the government would "make the Gibraltar fortress jump," and noted that when this is achieved it would be counterproductive to try to set up a prior barrier to this bold attempt; criticizing and countering the arguments of the opposition, which is demanding prior recognition by all the NATO countries (especially the United Kingdom) of Spanish sovereignty over Gibraltar before entering NATO.

The minister wagered heavily, and began threatening the possibility that Spain might leave NATO if, once it was in, the Gibraltar issue remained blocked.

The debate on Gibraltar, as well as that on the defense of Ceuta and Melilla in the Atlantic context and that on the guaranteed, definitive denuclearization of Spain, have been the key issues that have marked in particular the so-called partial amendments underlying the question of affiliation with NATO. Amendments gained by the government and its centrist party, as on previous occasions, with the staunch assistance of the Democratic Coalition and the sporadic backing of the Catalon n Minority; also, amendments which have obstructed the progress of the difficult NATO debate through the commission, one which is now awaiting the Plenum of Congress.

With regard to Gibraltar, the Socialist opposition, plus the Communists, Andalucists and a mixed group represented by Blas Pinar, have been opposed to Spain's joining the alliance before London, with the rest of the NATO countries, recognizes Spanish sovereignty over the Rock. The arguments on behalf of this previous recognition have been quite varied: In the first place that, according to the Spanish opposition, Spain cannot join a military alliance wherein one of the members has its territory occupied by an armed base; second, that, in the event of an attack on that base, and according to Article 5 of the treaty, Spain would have to defend it, despite its being under British control.

Minister Perez-Llorca and Deputy Javier Ruperez spoke in favor of joining NATO without the prior solution for Gibraltar. The minister brought up the threat of leaving, adding that he firmly believed in a rapid solution to this problem within the context of the alliance. The deputy stressed that it would be easier to resolve this issue within NATO, and that Spain was not joining the alliance to resolve exclusively individual issues, but rather to organize its defense.

Ceuta and Melilla

After the minister's "threat to leave NATO" the Atlantic issue detracted priority from another partial discussion presumed to be the leading one at the session: Ceuta and Melilla. The opposition demanded (as Turkey and France had done in their time) that the government include in the protocol for affiliation with NATO some reference to the need for the alliance to cover the defense of both Spanish North African jurisdictions, which Article 6 of the Atlantic Treaty omits, stating that NATO's territory is that of Europe and North America, as well as the waters and islands located north of the Tropic of Cancer. In other words, Africa is left out of the territory, and therefore Ceuta and Melilla are. The executive could not respond to this claim.

Minister Perez-Llorca confined himself to hinting that the direct or indirect mention of Ceuta and Melilla in the protocol for affiliation might cause uneasiness and problems with Morocco, and simultaneously internationalize the conflict over the claims of both jurisdictions. The minister, and then the deputy from Melilla, Garcia Margallo, considered themselves satisfied with the articles of the treaty which mention the defense of the member nations, without specifying territory.

Minister Perez-Llorca announced that, in the negotiations arranging for Spain's association with the alliance's integrated defense system, and once it was in NATO, the government would recommend that the matter of the defense of these jurisdictions be made quite clear. He also announced the creation of an ad hoc committee to follow those negotiations regarding the Spanish option in the defense framework. The opposition retorted by stating that the government was refusing, a priori, to obtain a guarantee that others had obtained.

Those strong points made by the minister were included in the draft resolution approved by the Foreign Affairs Commission, authorizing affiliation with NATO, in the form of recommendations. They state that Spain wants a guarantee of defense in view of the world crisis and the poor progress of the Security Conference in Madrid; they ask

that, in the negotiations on Spain's entry into the military organization, all the territory, both peninsular and extra-peninsular, be taken into account; they state the government's desire that progress be made in solving the problem of Gibraltar and in the negotiations with the EEC; and they confirm the creation of the aforementioned ad hoc committee.

Apart from these topics, the only other resolution that has flourished in the debates (with the backing of UCD [Democratic Center Union]) was the one submitted by the Catalonian Minority on behalf of not installing nuclear weapons or storing them in our territory. This amendment from the Catalonian deputy, Joaquin Molins, brought on a short debate on nuclearization. The opposition claimed that it did not trust the government's promises, and Felipe Gonzalez stated that the amendment excluded the passage of nuclear weapons through Spanish territory.

2909

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NATO ENTRY ANALYZED EXTENSIVELY

Lisbon NACAO E DEFESA in Spanish Jan-Mar 81 pp 173-199

[Lecture delivered on 11 March 1981 by Mr Sanchez Giron, at IDN, on "Spain and NATO"]

[Text] The most promising areas of the needed Spanish military reform, that is to say, those which would lead to the modernization of the Armed Forces and to an increase in the armed power of the state, until it is converted into a respectable entity in the European context, will be covered if the present government's program is implemented and if the resistance and obstacles that we shall examine herein, in connection with NATO, in other words, leading Spain to participate in the collective defense of the West, are surmounted. The military consequences of those new expectations may be summarized in this proposition: The war for which the Spanish Armed Forces must prepare is a war of coalition.

To maintain that Spain should prepare for a war of coalition may seem to smack of quixotism in an alliance that is not exactly typified by its inclination to consider the dangers facing it as challenges which demand a coordinated, unified response, and wherein the collective military stance, at least up until now, has been little more than the sum of the fragments of defense of each one of the members. Not even the leading nation in the alliance, the United States, has shown any remarkable signs of addressing the imperatives and demands of a war of coalition, despite its historical experience during this century, when it has had to fight four wars (two World Wars, one in Korea and another in Vietnam), in coalitions. One could cite many examples of this apparently insurmountable tendency toward continuing to regard general war in terms of individual national defense, in the same spirit with which the allies reaped so many disasters at the beginning of the two major European conflicts. We in Spain also have, to a slight extent, that hesitancy toward considering defense in collective terms. We might cite the instance of the joint Hispanic-North American staff called for in the treaty with the United States, which clearly relates to the cooperation of the two states for their mutual defense, in the context of Western defense, through the use of the expedient of the NATO doctrine, something that has been resisted by the American leaders who continue to view the problems of planning defense in the "zone of common interest" from a bilateral standpoint. This is a position reducing the potential of the treaty which, moreover, is confirmed and backed by the attitude of the Spanish command which, surely prompted by a lofty desire for political neutrality, does not deem it feasible to accept all the consequences contained therein relating to the matter of defense in the context of the Atlantic alliance.

But let us return to the proposition that Spain needs to prepare for a war of coalition. The first reason supporting it is that the war in which the existence or non-existence of an independent Spain might be at stake would be one wherein the two blocs would confront one another; this would, of necessity, be a war of coalition. The second reason is that the most dynamic factors which are transforming the Atlantic alliance, in accordance with the Long-Term Defense Plan, are the very ones which heighten the quality of coalition in the allies' military position: inter-operativeness, standardization and streamlining of weapons; pre-positioning of material supplies; compatibility of the doctrines on the use of force and (finally) the appearance of tactical manuals devised for multinational coalition forces; the creation of unified defense commands; the systematization of electronic communications, command and control networks; a trans-Atlantic "two-way street" in the manufacture of weapons, etc. Each and every one of those allied action programs entails considerable reforms in NATO's organizational structures, and also involves major opportunities for a more productive and rational investment of the resources allocated by the national states for defense. How could it be doubted that, with Spain joining the alliance at the present time when those programs are starting, the forces of modernization will have a strong effect on the military improvements undertaken in our country?

But the most important reason is unquestionably the one relating directly to the very heart of national defense; that is, to the latter's *raison d'être*. Either Spain prepares to wage a war of coalition under good conditions, or the coalition will wage that war at Spain's expense, and even on its own territory, as has been observed repeatedly in history, with the war of succession to the throne of Spain, the postrevolutionary periods with their alternate phases of war and alliance with France, followed by the war of independence. Furthermore, recall how even the civil war in 1936 lent itself to abuse of authority or interference on the part of the foreign forces which were aiding both sides, undoubtedly taking advantage of military weaknesses in the opposing forces; or recall the enormous amount of oppression and pressure that took place against the security and welfare of the Spanish people during World War II. Because, although it is true that to fight in a coalition is most advisable when a country cannot escape from an international crisis, to join the coalition without being prepared is a disaster second only to defeat.

The activating principle of the doctrine of the war of coalition can only be that of preservation, to the limits that are materially and humanly possible, of the strategic unity of the Spanish area (or the Iberian area, if you wish, and if Spain's defense interests can be reconciled with those of Portugal, which seems to be quite clearly necessary). Spain's entry into NATO should not serve to dismember or reduce that ideal unity, putting Spain's Atlantic dimension in the realm of the allied Atlantic command, and its continental dimension in the orbit of central Europe; but rather to reinforce it, stressing the unique nature of the Spanish contribution, consisting of the provision of land resources and protection, and simultaneous maritime and continental backing for the generous Portuguese establishment in the Atlantic for the defense of Europe, as a single integrated function, like two sides of the same coin.

If we wished to put all these considerations into a perspective of operativeness, upon the actual entry into the alliance, we could establish the following points, which are only tentatively outlined.

1. The Hispanic-North American zone of common interest [ZIC], the planning for the defense of which is incumbent on the joint Spanish-U.S. staff [EM], demarcates approximately the geographical zone in which the zone of Spanish responsibility would be created within the alliance. Moreover, all of it is essential to the defense of Spain, and it is of reasonable dimensions for actual defense, within the bounds of our country's capacity.
2. The ZIC and IBERLANT, in which continental Portugal and Madeira are included, could be the embryo of a newly created Iberian command, with special responsibilities involving command and organization for Portugal and Spain.
3. Transcending Hispanic-North American and NATO planning, and apart from the collective Spanish-Portuguese responsibility resulting from the notion of a war of coalition, there is Spain's individual responsibility for its defense requirements in regions not included in the NATO area: facing Maghreb and the ocean areas located south of the Tropic of Cancer, which are irrevocably a defense zone for Spain. This dimension would be of particular concern to Spain, and would not fail to find the most complete backing from other allies equally concerned about African stability and the security of the Middle and South Atlantic.

But let us now proceed to study various areas which are components of the Spanish defense problem, in the order established by the basic axis around which Spain's international security has revolved during recent decades: the agreements with the United States.

Criteria for the Future Treaty With the United States

The treaty of friendship and cooperation between Spain and the United States will still be in effect for more than half a year. On 26 September 1981, 5 years after the exchange of ratification instruments, it will be replaced by a new treaty, or extended for another 5 years. The third possibility: its mere expiration and the resolution of the present types of relations between the two countries, is precluded as unrealistic.

A realistic starting point to dilucidate this problem should be adopted now: The Spain of 1981 is not the one of 1976, when the treaty was signed. At that time, Spain needed the backing entailed in the treaty to begin the process of political transition with international credentials. In 1981, Spain should be a country in a position to take by itself whatever credentials it deems fitting as a fully entitled and practicing member of the community of Western nations, because of having surmounted direct challenges to its democratic institutions. Mature decisions are expected of Spain today, for the simple reason that it is equipped to make them, something which was not the case previously.

The terms of the option must be analyzed and criticized, so that the decision that is made will be mature. For this purpose, the first thing that must be done is to stop seeing in the treaty a vicarious, substituting form of the traditional and by now impossible Spanish neutrality, a flaw in vision that still affects small sectors of the governing party, some of the Armed Forces and, in particular, the opposition. We must be serious: Let anyone who believes that Spain should be a neutralist country say so overtly, and devise political and military solutions which would

allow for neutrality; but let him not persist in claiming that the treaty with the United States is sufficient to make Spain's affiliation with the Western world compatible with the traditional Spanish neutrality, and that a higher degree of commitment is not feasible. The treaty with the United States is an outright denial of neutrality.

A quick examination of the structure of the treaty will enable us to observe that it cannot last another 5 years if it impersonates Spain's neutralist tradition.

Basically, the treaty calls for a series of services of a strategic type from Spain to the United States, in exchange for certain military counterparts and a sustained political support from the United States for Spain. This, the essence of the treaty, constituting the substance of Hispanic-North American relations since 1953, cannot conceal a certain bareness that afflicts it: The bilateral relationship is not a perfect relationship for mutual defense; it is not an alliance. To cover the bareness, a series of more or less dignified packages have encased it. The first one is that of the military counterparts, including donations of \$85 million over a period of 5 years, investments totaling \$50 million in the alert and control system, certain leasings, and advantageous sales of material and loans for the purchase of weapons amounting to \$600 million. In the economic package, the United States "will try" to improve its economic and trade relations, with Spain achieving the status of a beneficiary nation in the general system of preferences established by the commerce law; and loans amounting to \$450 million will be made available. The scientific and technical package includes programs of various kinds and a donation of \$23 million. In the cultural and educational package, certain programs have been expanded and \$12 million has been donated.

For example, the treaty calls for direct donations amounting to \$125 million to be made in 5 years. The smallness of this figure does not warrant the view that it is adequate compensation for the Spanish contribution to the defense of the West. It is increasingly less justified to accept donations in exchange for military services. If a country compromises its security, it cannot do so for economic reasons, as if it were selling a commodity. It must have more powerful reasons for doing so; furthermore, only if the latter exist is it justifiable to receive donations. It is those reasons which concern us. Moreover, it is more than doubtful that Spain could obtain donations in a new treaty; the American Congress is ready to reduce further still the number of new recipients of aid which, at present, in addition to Spain, consist of the Philippines, Portugal, Turkey, Greece and Pakistan.

Access to loans for the purchase of weapons deserves a separate paragraph. The coverage provided by \$600 million benefits only a small portion of the present and future purchases, which are gaged in billions of dollars. In addition, the loans subject the purchases to red tape and delays which annoy the Spanish Armed Forces, who prefer to deal directly with the manufacturers.

In all other respects, in what is contained in the other packages, there is nothing that could not be obtained as part of the normal cooperation between two friendly countries associated by the Hispanic-North American declaration of 1974. In the commercial area, the situation has improved very moderately, although there is still a serious deficit. Hence, it would not appear that the treaty with the United States is irreplaceable from a purely material standpoint. We could do quite well without it, and we would not have to render services which certainly align us with the United States, thus compromising our security.

But the treaty is not confined to give and take. It was intended to be something more than that. We have already mentioned its significance in support of the political transition; and now let us deal with some military aspects which are not measurable. Both the support and these military aspects are closely linked; in fact, these aspects are the embodiment, the materialization of the political support offered to Spain. Let us look at this. The treaty is presented as the framework for Spain's eventual entry into the Atlantic alliance. That is how we must interpret Article V of Supplementary Accord No 1, when it states that the Hispanic-North American Council "will have as one of its fundamental goals to attain the development of a suitable coordination with the North Atlantic Treaty Organization." In addition, the treaty creates a joint staff, whose mission will be "the preparation of plans that harmonize with the existing security arrangements in the North Atlantic area." It will also be responsible for "facilitating coordination between the Armed Forces of Spain and the United States, as well as other forces engaged in the defense of the North Atlantic." What other forces are there in the North Atlantic, except those of countries which are members of the alliance? Furthermore, the joint staff is a unique experiment: For the first time in our history, there are combined in it Spanish military commanders and other foreign ones, for strategic planning. All this was meant to enhance the nature of Spain's link with the United States, so that it could be shaped into a treaty, and not merely an agreement such as those of 1953, 1963 and 1980; a treaty that would attempt to bring Spain into the club of Western democratic nations.

If the new treaty with the United States is meant to retain a certain consistency and political reliability, and to show military coherence, it cannot confine itself to repeating or reformulating the same idea, the same intention with respect to the Atlantic alliance. If the "girl" (NATO) is already willing to fall into our arms, she cannot be told that we are actually only interested in the introduction and stimulation, but not in the consummation. It would be ridiculous.

Therefore, the treaty must go further, taking the necessary political leap, or else go less far, making a substantial change in the course of our international policy. What it cannot do is be extended.

How could it go further? There are two ideal methods for this: converting it into an instrument of military access to NATO, paralleling political and diplomatic access to the Atlantic alliance; or extracting a defense treaty from the United States. The latter expedient is completely utopian; it would be ridiculous to expect the United States Government and Senate to accept a new defense treaty apart from those established during the 1940's, one of which is the North Atlantic Treaty, wherein Spain certainly fits perfectly.

Or else the treaty must go less far. With the donations gone, and the meager material content of the other American contributions demonstrated, both countries would become embroiled in a painful haggling, which would spread all kinds of doubts about Spain's intentions and its notion of the position that it can and should hold in the West.

The Future of Hispanic-North American Relations

After the pertinent inquiries made by this observer, the following assessment may be made of the future of Hispanic-North American relations following the expiration of the treaty.

1. No negotiating position of an official nature exists either on the Spanish or the American side. This has been brought about by the recent change of administration in the United States and the Spanish Government crisis.
2. There is a desire to continue the bilateral relationship, although the Spanish Government has given the Americans notice that they must abide by the 3-month prior notification before the expiration of the treaty, set forth in Supplementary Accord No 6 (Article IV), for the withdrawal of their equipment and personnel within the period of a year.
3. The Spanish side has let it be known that it does not want the mere extension of the treaty for another 5 years, but rather new negotiations for a new agreement.
4. Both the Spanish and the American sides would agree to extend the period when the treaty is in effect for 1 year, in order to provide sufficient time for the negotiation of the new agreement or treaty.
5. However, the extension of the treaty for 1 year poses problems involving ratification and appropriations.
 - a. The ratification problems result from the fact that the treaty in effect calls for a 5-year extension, but not one for just 1 year. Neither side considers this an unsolvable problem.
 - b. The appropriations problem stems from the fact that those allocated for the treaty now in effect have already been approved and ratified by the U.S. Congress. In the view of the Spanish side, another year of extension would require the appropriation of new funds, which would have to be approved again. The "feeling" of the U.S. Congress concerning this possibility is not known. In any event, it is a declared intention of the new American administration not to make "grants" on the basis of military treaties.
6. One of the Spanish complaints about the operation of the treaty is the unsatisfactory fulfillment of Article IX of Supplementary Accord No 6, which states: "The government of the United States expresses willingness to accept promptly the proposals for the transfer to the government of Spain of technical data on equipment and materials required for production in Spain of certain defense items." The complaints relate to the American attitude toward the transfer of technology.
7. The American side tends to detract significance from the agreements on economic, scientific and technical, cultural and educational cooperation as a non-substantial part of an essentially defense treaty. Hence, it must be understood that the Americans would be satisfied with an agreement which guaranteed them the use of Spanish facilities, without further additions of other types, which could be included in separate agreements. They are also of the opinion that the body of

provisions accompanying the treaty to lend it a civil coverage is no longer meaningful to a country which has declared itself willing to join the Atlantic alliance.

8. The issue of Spain's entry into the Atlantic alliance will change Spain's relationship with the United States although, in the opinion of both sides, entry into the alliance is compatible with some Hispanic-North American agreements for the continuation of the facilities granted to the United States. However, the American side would find it very difficult for the bilateral relations to become formalized in a treaty if Spain belonged to NATO; because that would be tantamount to reduplicating commitments for the same purpose. The Spanish side expresses concern over the change in the American counterparts, as a result of Spain's entry into the alliance; because the ones given in the form of a donation would be lost.

In the opinion of this observer, the chief counterpart which the Spanish side would request in exchange for the renewal of the agreements on facilities and the possible loss of the financial advantages of the treaty now in effect would be a guarantee of, and increase in transfers of technology. Hence, it may be anticipated that certain difficulties that have cropped up thus far in the technological area would be dispelled in favor of Spain, putting the latter on an equal footing with other NATO countries.

9. Both sides consider it unlikely that the new agreement or treaty will mention in its text a certain type of aircraft, as the one in effect does, specifically referring to the F-16.

10. With regard to the future of the institutions which, under the aegis of the treaty, organize the military cooperation between the two countries (Hispanic-North American Council, military committee and joint staff), the American side is of the opinion that, in the event of Spain's entry into the Atlantic alliance, they would not make sense, because the North Atlantic Council and the military committee are the natural forums for the allied relationship, and the bilateral relationship is dissolved in them.

11. As for the future of the Hispanic-North American joint staff, there would appear to be an American tendency to assign priority to NATO's organizational requirements and to observe in the endeavors of that joint staff a mere theoretical treatment of areas which NATO has already fully developed. Of course, the Spanish side does not appear to share that view, because it thinks that NATO has not made a planning effort for the zone of common interest on which the joint staff is working.

12. The planning of the Hispanic-North American joint EM has been concentrated on the following points:

- 1) Maritime defense plan of the zone of common interest (ZIC).
- 2) Air and land defense plan for Spain.
- 3) Plan of degrees of alert ("force readiness").
- 4) Organization of the command in the ZIC. Particular Spanish objective promoted by Spanish members of the joint EM: to create a joint command for the entire ZIC, which would serve as a nucleus for a new command in the event of Spain's entry into NATO, with a substantial improvement in the present organizational structure of the NATO commands, particularly insofar as ACLANT and IBERLANT are concerned.

5) Contributions from Spain to the defense of the West. The advantages of the joint EM lay essentially in the inadequacies of the NATO plans concerning the part of the world near the Iberian peninsula.

As a result of the foregoing studies, a series of "guidelines" ("outline plans") has been devised for air defense and antiamphibian operations, as part of a general guideline for defense of the ZIC.

The endeavors of the joint EM do not affect, and are not related either directly or organically to the planning carried out on the merely national level by the joint chiefs of staff of Spain and the United States. Those of the joint EM are merely "concurrent" and "parallel" endeavors, and do not have operational or organizational results concerning the national defense system of each country. It is to some extent a conceptual planning.

The Joint EM and NATO

The joint EM has not become the planning instrument parallel to the NATO planning instruments, owing to American timidity and Spanish lack of insistence. The Americans have been reluctant to provide liaison with NATO, out of fear of political repercussions, and Spain has not requested it, despite the fact that Article V of Supplementary Accord No 5 allows for the appointment of liaison officers in the American general headquarters which are in agreement.

On the basis of past experience, it may be said that General Haig, when he was supreme allied commander in Europe, stressed the importance of the joint Hispanic-North American maneuvers. The position assumed by the Spanish side of the joint EM was that those exercises were only significant on the basis of the development of the joint plans in the ZIC.

In the area of international logistical cooperation, a joint logistical backup plan is being devised which will serve as support for the also joint operational plans proposed for the defense of the Zone of Hispanic-North American Common Interest defined in the current agreements with the United States, by joint Hispanic-North American forces in the event of war. The complexity of the matter has prompted the convocation and holding of conferences and meetings between the staffs of both countries, coordinated by the joint staff, all in accordance with the strategic stipulations contained in the Spanish joint strategic plan.

The Current Concepts of Critical National Security

The prospect of Spain's entry into the Atlantic alliance has not constituted the fundamental direction of the present concepts of Spanish defense. The latter continues to be conceived, to a decisive degree, in terms of defense of Spanish territory and air and sea space. Although there has been no indication of a public nature as to the content of the joint strategic plan devised by the joint chiefs of staff, which must still be approved by the government, there is not the slightest indication either that would warrant the view that the main trend of defense thinking, aimed thus far at mere national defense, has undergone any substantial change or expansion.

Moreover, there has been noted on levels of command close to the joint chiefs of staff a tendency toward retrogression with regard to the implications stemming from the endeavors of the joint Hispanic-North American staff, with a view toward the expansion of Spain's participation in the defense of the West, and the possibility of Spain's entry into the Atlantic alliance. On the basis of these tendencies, Spain would only have to maintain good military relations with the United States, which would assume, on an exclusive basis, all the defense functions associated with Europe and the West; and Spain would engage in the safeguarding of its national interests and protection against potential threats against its borders and boundaries (threats which, furthermore, have traditionally been thought of in modern Spanish military thinking as coming from northern Africa), cooperating with the American forces only within the limits of the zone of common interest, and for the sole purposes of the bilateral treaty, under the actual scrutiny of the Spanish command concerning any potential use of the facilities granted by Spain to the American forces.

If the experience of the Spanish contribution to the defense of the West during the past few decades might be categorized as one of "conditioned solidarity", could we perhaps be witnessing an impetus of military origin toward "restrictive solidarity"? If this were so, that tendency would require a very stringent revision.

That necessary revision would have to relate, first of all, to a concept the expression of which is being intensively attempted as representing the security interests and determining the military strategy of Spain: the by now famous Baleares-Estrecho-Canaries axis. The revision would have to be geared not so much to discussing the validity of that concept as to qualifying it. Because what doubt could there be that what occurs throughout that axis is of vital interest to Spain; but also, what doubt could there be that there are a great many other strategic axes and fulcrums through which Spain's vital interests could be determined decisively. For example, if one claims the importance to the entire West and hence to Spain of maintaining a favorable balance in the Middle East, how can this vital interest be explained in terms of such an axis? It is simply that the axis does not explain anything, nor can one infer from it any strategic or military function that is relevant to the specific problem of the Middle East.

Similarly, if Yugoslavia's independence and neutrality should be jeopardized in the post-Tito transition, what significance would the axis have?

The validity of the axis is justified only if one means that a considerable Spanish military effort should be expended on it, but not if one claims that Spain's security depends on it. Its security transcends the very small scope of the axis, and is directly related to the total security of the West. Attempting to confine Spain's area of security to the Baleares-Estrecho-Canaries axis means accepting one of those dangerous freezes that often occur in strategic military thinking, such as the idea of a linear defense based on walls or Maginot-type fortifications. That freezing is also unbefitting a society established in a space open in quadrants to the seas, oceans and continents; and is rather suited to countries endowed with desperately constrained geostrategic conditions, such as the Federal Republic of Germany, where advanced defense throughout the entire danger-line is an inexorable necessity.

All this is relevant, because it is necessary to arrive at the unavoidable debate on security with a clearcut notion of the type of response that stems from a certain perception of the international environment and the dangers hovering over it. From a proper perception one infers the adoption of a correct military position, with all that it means politically and economically. Spain is on the verge of taking a qualitative leap in the arrangement of its Armed Forces, particularly through the modernization of its Air Forces and, on a lesser scale, the reinforcement of the Navy. It is also faced with the dilemma of having to continue the mediocre link with the United States, the overall strategic significance of which will only decline in a merely bilateral context, as it has been doing very rapidly in less than 2 years, or pursuing the path of the Atlantic alliance, whereby it would progress toward a strengthening of its strategic function, also affording Europe the opportunity for a substantial revamping of its defense, with greater depth and breadth.

It is not difficult to infer the military consequences of a correct strategic assessment. One need only observe models that are evident to us. It befits us here to consider the decisive trend toward the formation of forces capable of being projected overseas which now dominates the military thinking of France and the United States, to cite the two closest examples. France now has a force of 50,000 men capable of being projected; 25 warships are constantly patrolling the Indian Ocean between the Cape and Djibouti; and in another 2 years France's overseas intervention force will number 100,000 men. As for the United States, there are currently three divisions organized as rapid deployment forces; there will be six in 1982, and nine in 1986.

In citing these examples, there is something which we do not mean to say, namely, that Spain should make an effort comparable to that of those two countries, which would be simply impossible from an economic and material standpoint. What we do mean to say are two quite different things: 1. that the modernization of the force should be carried out primarily, and its capacity for projection should be increased; and, 2. that the strategic role which Spain might play would be completed by its inclusion in an alliance with a material and economic capacity to project power on a global scale, in the defense of interests which, in the end, will coincide essentially with Spanish interests.

In short, what is suggested by all this is the need for taking another step beyond what for the present is the latest development in Spanish military thinking, consisting of speculation about the Baleares-Estrecho-Canaries axis, and for coming to grips with the general strategic situation wherein that military has its important, but modest tactical role.

The Defense Policy

After having briefly described the main features of, and the contradictions inherent in a certain type of Spanish strategic thinking, which is deeply rooted, we must comment on the formation of criteria that are giving rise to the advent of a national defense policy. The latter is unquestionably the accomplishment of the democratic governments established since 1976, and is, most particularly, the result of the personal impetus given by the vice-president for defense affairs, Lt Gen Gutierrez Meliado, and the first civilian defense minister that has ever existed in Spain, Agustin Rodriguez Sahagun.

What is being attempted to shape in Spain as a defense policy is something that is called in the ministry's jargon a "political cycle of defense." This has been implemented through instructions issued initially by the defense minister, establishing the major features of the nation's military and non-military potential. On the basis of those instructions, three goals are sought, for which three different entities are responsible: 1. the joint chiefs of staff prepare the joint strategic plan; 2. the various civilian ministries devise partial plans contributing to the mutual defense effort; 3. the general secretariat of economic affairs of the Defense Ministry establishes the high-level logistical plan.

The materialization of this exercise is a good example of rationality and planning, but, unfortunately, not all the elements participating therein operate with the same efficacy and output, attesting once again to the serious flaws in coordination and governing that have typified the various governments of former President Suarez.

The joint strategic plan (PEC) has already been completed, and is awaiting the government's approval. The PEC has been devised in accordance with the national defense guidelines, producing two initial documents: 1. the strategy guideline, devised by the joint chiefs of staff; and, 2. the planning guideline, devised by the joint staff subordinate to the joint chiefs of staff. In the strategy guideline the branches of the Armed Forces are asked to determine the strategic areas especially associated with each one of them; in the planning guideline, the branches of the Armed Forces are asked for the documentation that they must contribute for the coordination of the individual efforts of each of them.

Those documents are joined by a third one, devised by the joint chiefs of staff, with the aid of the intelligence services, namely, the "intelligence estimate" in which the dangers are considered. On the basis of those dangers, the strategic objectives to be attained are calculated; in other words, there is a description of "what is going to be done." In accordance with the strategic objectives, the lines of action to meet those objectives are established; in other words, there is a description of "how it is going to be done." Once the lines of action have been established, the resources necessary for each one of those lines of action are studied. The sum of those resources materializes in the determination of the "joint force objective" which is converted into an economic quantification. Thus, the joint strategic plan ends in a programing for the 1980's which, according to well informed sources, will culminate in the allocation of 3 percent of the GNP for defense spending by the end of the decade.

Of the three aforementioned elements leading to the defense policy, only one, the joint strategic plan, as we have said, is finished. The other two elements are lagging considerably, especially the one involving the non-military contribution to defense, which was supposed to be devised by the civilian ministries; undoubtedly because of the increasing paralysis suffered by the Spanish administration after the major political efforts that led to the approval of the Constitution, the calling of general elections that gave victory to UCD [Democratic Center Union] and the internal wars among the various UCD factions.

Another key element in the military reform in Spain was to be the economic-industrial sector of defense, assigned to the General Directorate of Armament and Material. The civilian defense minister has not succeeded in making that General Directorate a

powerful instrument for military reform, for two reasons: 1. the isolation of the military manufactures from the managerial techniques typical of civilian industrial competitiveness, since with but few exceptions all those industries are affected by the corporative interests of the various branches of the Armed Forces, a situation that is particularly evident in those of the Navy; 2. the personal isolation of the civilian defense minister in an agency of the administration wherein all the personnel, except for that minister himself, are military; and hence it is impossible for him to form his own staff with complete freedom.

These merely descriptive comments on the current status of the reform in the defense structures may be summarized in the following conclusions:

1. The joint chiefs of staff have proven to be a necessary organ for attempting to overcome the corporativist tendencies of the various branches of the Armed Forces, but with limited success.
2. There is imperviousness and indifference in the civil administration regarding the requirements and demands of defense.
3. In order to arrive at a definitive formulation of the defense policy for the next 10 years, far greater civilian authority needs to be exercised over the military entities, to reduce the latter's innate tendency toward the preservation of prerogatives and areas of individual interest.
4. The technical and professional inability of the previous UCD governments to perform this task has now been exacerbated by the uncertain paralyzing effects brought on by the recent military coup.
5. Only a fully restored civil and political authority can give a new impetus to military reforms that will unblock the path toward a genuine national defense policy.
6. The announced desire of the Calvo Sotelo government to have Spain join the Atlantic alliance cannot help but be preceded by a series of well defined formulations of defense policy; and this can only be enunciated after a vigorous adjustment of military reform.

The Military Policy and the NATO Option

There is nothing in the plans which comprise Spanish military policy that is aimed specifically at the possibility of Spain's entry into NATO. Whether Spain enters or not is something which has not yet appeared as a preliminary and organizational objective of the Spanish Armed Forces. However, the possibility of joining NATO is being fostered by some objective plans for modernizing and adjusting the military instrument, which in any case are taking place without the NATO horizon. We shall attempt to describe some features of the initiatives which, in their time, would foster the Spanish Armed Forces' access to the integrated commands of the Atlantic organization. On the national level, exercises have taken place in the three areas: land, sea and air, in an attempt to progress in the coordination and joint presentation thereof.

On the international level, combined exercises have been held with the United States, France, Germany, Italy and the United Kingdom.

In the general headquarters of the joint chiefs of staff a section called that of "exercises" has been set up, which is responsible for contributing to the coordination of the combined exercises and for offering ideas on the concept of joint-combined exercises, aimed at verifying the combined plans and guidelines; in other words, at operating in the international area.

In short, general instructions have been drawn up establishing the "regulations for the coordination and unification of the national and international exercises carried out by the FAS [Strategic Armed Forces]."

The increase in operativeness that is being sought through the exercises has been supplemented by measures being prepared for the rejuvenation of the command cadres; because, as the former vice-president for defense affairs commented, "We are one of the oldest armies in the world." The bill entitled "Creation of the Active Reserve Status and the Establishment of Ages for Transfer to Retired Status" may represent a slight progress in bringing the average ages of the Spanish officers and commands closer to those predominating in the NATO armies. At present, the retirement ages are as follows:

	Retired	Reserve
Lieutenant general	B 66	70
Division general	B 64	68
Brigadier general	62	64
Colonel	60	64
Lieutenant colonel	58	62
Commander	56	60
Captain	54	58
Lieutenant	52	56

Each of the three branches of the Armed Forces has undertaken a program to provide resources for combat, which is the focal point of their future structure and formation.

The Navy is still progressing with the formation of its naval combat group, with an aircraft carrier as a main vessel. The Air Force has adopted as a factor for development the future combat and attack plane which in the middle of the decade is due to replace the F-4 planes that currently constitute the backbone of Spanish combat aviation. The Army does not have a program that defines its future dimensions as precisely as those instruments of the Navy and Air Force; but, generally speaking, it may be said that this factor has materialized in the reinforcement of the three existing divisions, and completing them, while providing the armored division with a second mechanized brigade, the mechanized division with a second motorized brigade and the motorized division with another brigade. Considerable efforts are being expended to improve the mountain forces and the paratrooper brigade.

A deliberate search is being made to develop the cohesive element in the three branches of the Armed Forces, through the formation of joint commands. One hundred fifty officers or more have already taken the joint command training courses.

Spain has been spending about \$124 per capita on defense (1979), a spending that compares favorably with that of countries such as Italy, Luxembourg, Portugal and Turkey. Although it is to be assumed that in the event that Spain joined NATO it would receive a recommendation to increase its defense spending, we must consider the fact that it is the European country which has increased that spending most rapidly since 1972, registering an index of 387 percent, followed by Belgium, with 349 percent, and the rest of the alliance countries.

While the effort made by Spain to increase the defense appropriations, which were long neglected by the governments of General Franco, is commendable, what is more subject to warranted criticism is the structure of the spending. During the 3-year period 1976-78, Spain assigned an average of 61.8 percent of the military budget to salaries for personnel. However, the item involving personnel pay has been improving with the passage of years, according to the following scale:

1976: 62.3 percent; 1977: 61.4 percent; 1978: 61.8 percent; 1979: 59.1 percent; 1980: 55.1 percent.

An elementary indicator such as that of the distribution of human forces among the three branches of the Armed Forces is not critical, although it does not fail to hold a certain significance: 76 percent of the human forces belong to the Army, 13 percent to the Navy and 11 percent to the Air Force. This structuring is similar to that of Greece and Turkey, countries with an obvious military predominance of the Army. Inasmuch as that indicator is not wholly significant, it must be supplemented with others reflecting the weaponry and material with which the different branches are equipped. If the tank is taken as the symbolic weapon of the Army, we find that the Spanish one shows essential imbalances in comparison with those of the ones we have already mentioned, Turkey and Greece. For example, in 1979 those countries had 2,800 and 1,340 tanks, while Spain had only 860. As for the absolute number of tanks, Spain ranks in seventh place in comparison with the European countries in the Atlantic alliance. The low Spanish figure does not mean so much that the Army is actually underequipped with armored resources, as that it is overequipped with human resources which do not always find a productive application to modern combat facilities. Because what doubt could there be that the tank plays the same primary role in Spain that it plays in the defense of countries such as Greece, Turkey and the Federal Republic of Germany, located opposite the very front line of the Warsaw Pact?

With respect to air facilities, Spain is also underequipped with combat planes of all types, ranking seventh among the European countries, with 214 aircraft, after Turkey (339) and Greece (257).

A better situation is shown by the Navy, which ranks third in the number of main combat surface units, and sixth with respect to other units apart from submarines, ranking eighth with respect to the latter.

There has been a great deal of speculation about the expense that entry into the Atlantic alliance would represent for Spain. The leftist opposition uses as one of the arguments against it the need to at least double the defense budgets if Spain joins the alliance. Nothing seems to support this presumption. Direct statements by the former supreme allied commander in Europe, General Haig, indicate

that the spending from the civilian budget would represent \$10 million for Spain, and the infrastructure spending would not exceed \$50 million per year. The latter figure is highly questionable, since Spain would make a considerable infrastructural contribution from the outset, currently represented by its large bases where the Americans have facilities, as well as by a major network of oil pipelines and air alert and control systems.

The lines along which the restructuring of the Spanish Armed Forces must be directed in any event, to increase their military power and efficacy, coincide very definitely with the potential lines for maximum operativeness of the Spanish Armed Forces within the Atlantic alliance. Those lines consist basically of: 1. a considerable increase in the financial resources assigned for material, weapons and maintenance, and a concurrent reduction in personnel expenses, something which can only be carried out over a long period staggered in time; 2. a substantial transfer of resources from the Army to the Navy and Air Force; 3. an increase in overall operativeness through the capacity to project armed power, something which demands the provision of naval and air transport and attack facilities.

The difficulty in carrying out these lines of action, which are absolutely essential to a society that must defend itself far beyond its natural borders, is obvious, in view of the sociological and moral entrenchment of the Army in the very heart of Spanish history. Random, unofficial polls on the status of opinion among the various branches of the Armed Forces regarding the issue of Spain's entry into NATO show the Army to be more reluctant, and the Navy and Air Force more in favor, with a genuine enthusiasm in the concrete instance of the Navy. Those same polls also show that the high-ranking Army officers seem inclined toward the alliance, by a certain majority, whereas the younger commands are opposed, by a slight majority; which seems to reflect a very different degree of perception among those groups of what constitutes the real end goal and *raison d'être* of the branches of the Armed Forces: defense, which is no longer possible in "national" terms in our day. Understandably, this is more clearly observed by the men with greater training and experience, and that is why they appear more inclined toward an alliance-related solution.

International Difficulties for Spain's Entry Into the Alliance

Thus far, we have not met with any invincible resistance to Spain's membership in NATO, not even in the reserved attitude of the high-ranking military authorities responsible for submitting their military-strategic assessments to the government, especially if the government appears decided to take the alliance option. Nor has any obstacle appeared on the part of the Americans.

A problem of an international type is that of Gibraltar. As you know, Spain has a claim to Gibraltar backed by the pertinent United Nations resolution, based on the principle of territorial integrity, after the principle of self-determination of peoples upheld by Great Britain had been defeated. Great Britain has pledged to the people of Gibraltar not to transfer its population to another state without the consent of the people of Gibraltar. The people of Gibraltar have the features of a small community, whose reason for existence in a geographical area and whose way of life stems historically from the presence, first, of a naval base, and later, of an air and naval base, in a geographical and human environment. The study of

Gibraltar's economy clearly indicates that the people of Gibraltar will never agree to be transferred to Spanish sovereignty. It so happens that Spain does not want sovereignty over the people of Gibraltar, but rather the retrieval of the territory. Naturally, the people of Gibraltar are concerned over their destiny as a community in the event that the territory in which they are settled should cease to be British and come under Spanish sovereignty, knowing as they do that the essence of their way of life would be affected upon the disappearance of the British military presence and, in particular, by the large investments that make it possible for the working population of Gibraltar to be employed part of the year.

Although the official British position is that the United Kingdom has no particular interest in maintaining itself in Gibraltar, apart from the desires of the population, there has been constant evidence that the reasons of a strategic nature are preeminent, and constitute the real reason for the existence of a presence which would appear to be very expensive for an England that is drastically reducing its social programs. Let us observe some of that evidence: The chief of the naval base, Rear Admiral Pritchard, commented at a military celebration in 1980 that Gibraltar offered the advantages of being an anchored aircraft carrier, a splendid observation post and a supply and repair vessel in the Mediterranean. Also last year, the "admiral of the fleet", Lewin, noted at the Rock that Gibraltar's importance nowadays was perhaps greater than it was during World War II. Finally, the Lord of the Privy Seal, Sir Ian Gilmour, recently said in Madrid that Gibraltar's strategic value "may be noted by merely glancing at a map, a value which is no greater for Great Britain than for its allies." Every one of the reminders of the strategic importance of Gibraltar is sweet music to the ears of the people of Gibraltar, and another spur for continuing to say, "British we are, British we remain."

The manner in which the British present the problem is essentially fallacious, because the desires of any population can only corroborate the maintenance of the conditions which allow it to exist as such a community. One cannot see how Spain could attract the population of Gibraltar to itself except by improving the British economic offer, and of course this seems increasingly far removed from its material possibilities with each passing day, in addition to the fact that it is unnecessary for the base at Gibraltar to be kept at its current level of operation.

But NATO needs Spain, or at least needs the facilities which Spain is currently making available for the defense of the West through the agreements with the United States. It is here that the issue of NATO appears as a fitting occasion to help solve the problem, because since Gibraltar is a base essentially in the service of NATO, its infrastructure represents, as a counterpart, a major financial asset in favor of Great Britain, an asset that makes it possible for the latter country to meet the financial needs of the people of Gibraltar with great latitude. If Gibraltar is a NATO base, how could it be doubted that the welfare of the Gibraltar population, which lives on and for the base, would not be a problem that could be foisted onto Spain, but one that could be fully assumed by the alliance?

There is really no reason not to be able to reach a solution that would include the preservation of the desires of the people of Gibraltar insofar as it would be compatible with the necessary reconciliation between the interests of the Spanish and British states, for the greater benefit of Atlantic solidarity.

Now then, if it is impossible to proceed toward a solution by this means, voices will not fail to be raised in Spain, and not necessarily from the left, against an alliance which does not help to resolve an historic dispute that has irrationally alienated two great and important European peoples. The issue of Gibraltar might perhaps even be mingled in the question of the renewal of the agreements with the United States for the use of facilities on Spanish bases. In fact, if Spain should join NATO, an essential part of its military and strategic contribution would consist of continuing to make facilities available to the American air and naval forces. Thus, if the matter of Gibraltar is mingled with the course of action giving Spain access to the Atlantic alliance, it should also be mingled with the course of action involving the renewal of the treaty with the United States; because, otherwise, the alliance would procure from the Spaniards, through the bilateral treaty, the essence of what is of interest to it. It would be inconsistent to refuse to join the alliance on account of Gibraltar, and to continue giving the latter the usual military appropriations, through the auspices of the Americans. The conclusion seems obvious: The agreements with the United States should not be renewed unless the issue of Gibraltar is on the way toward a solution, preferably and particularly within the framework of NATO.

No other major difficulty of a strategic-military type would hamper Spain's entry into the alliance, if we could perhaps cite the reservations voiced on various levels in Spain concerning the installation of nuclear weapons systems in Spain. This issue is being handled with a certain amount of superficiality and misinformation, in the heat of the European debate on the Eurosysteems. What appears obvious is that Spain has sufficient targets for Soviet nuclear weapons, as has been inferred from the official strategic doctrine of the Armed Forces of the USSR, regardless of whether allied nuclear weapons are housed in its territory or not, and regardless of whether they pass through it or not.

In any event, it seems reasonably unquestionable that the issue of the installation of Eurosysteems in Spain has no grounds and is not backed by the real capacities and radiiuses of action of those weapons, which would not reach preferred targets on Soviet territory from Spanish emplacements.

The Difficulties of a Political Type

As everyone knows, the Spanish center and right political spectrum is totally in favor of the Atlantic solution, while the spectrum of leftist forces is steadfastly opposed. The analysis of the positions of the various parties could be subjected to expansion and discussion, but let us for now focus on the problem in its constitutional terms. In fact, Article 93 of the Constitution authorizes the concluding of treaties whereby the exercise of authority derived from the Constitution is assigned to an international organization or institution. Defense is, of course, an example of this type of authority. Such treaties must be approved by an organic law, which requires the approval of an absolute majority of the congress of deputies. The votes from UCD, combined with those of the right-wing Democratic Coalition and of the nationalist parties, PNV [Basque Nationalist Party] and Convergence and Union of Catalonia, insure a majority of nearly 190 votes, while the sufficient absolute majority would be 176 votes. The leftist opposition, fearing the approval of the alliance treaty by an absolute majority, upholds the proposition that Spain's

access to NATO should be approved by a national referendum, because it constitutes a political decision of special significance which, according to Article 92 of the Constitution, "may" be put to a referendum consulting all citizens. Naturally, when the left seeks a referendum, it is counting on its capacity for mobilization concerning highly emotional issues, such as security, the atomic threat, peace and disarmament, which would be triggered in the referendum campaign.

In his investiture speech, President Calvo Sotelo announced that the government proposes to join the Atlantic alliance through an organic law; in other words, through approval by an absolute majority. This statement forced the opposition leader, Felipe Gonzalez, to announce that if the government put Spain into NATO by an absolute majority, the Socialists would have it taken out, also by an absolute majority, when they were governing. Calvo Sotelo's position was, however, subsequently modified by his promise to examine the question of the Atlantic alliance in consultation with the other political forces; but this, unquestionably, does not mean that he will seek consensus for a decision of that significance.

Spain Together With Portugal in the Atlantic Alliance

Spain perceives with gratification the positive attitude assumed by the Portuguese Government and Armed Forces toward the possibility of Spain's entering the Atlantic alliance, to fill a space wherein Portugal has been contributing highly important strategic capital. It also notes with gratification that a serious dialog has already been started, based on stringent analyses, such as those made by this center, submitted through the writings of such personages as Brigadier Mario Firmino Miguel and Prof Medeiros Ferreira, to mention only those with whom I am most familiar.

Both have put forth extremely interesting ideas: Firmino Miguel, through his studies on the intrinsic values of the strategic unity of the Iberian peninsula and its adjacent archipelagos; and Prof Medeiros Ferreira, through his analyses of the varied strategic functions performed by the Iberian area on the European scene, as a result of the technological and political changes.

If Spain enters NATO, both countries will have a new problem: how to shape their military and strategic position regarding their defense needs within a NATO framework structured according to patterns which are partially already established and, of course, resistant to change. In my opinion, the Portuguese perception of national defense adheres, in essence, to the defense of the triangle comprised of peninsular Portugal-Azores-Madeira, while the main core of the Spanish conception of defense revolves around the Baleares-Estrecho-Canaries axis. What can be done about all this?

In my view, not very much, but at least something substantial:

1. The Portuguese perception of that country's own security is particularly relevant to Spain.
2. The Spanish perception of that country's own security should also have particular relevance to Portugal.

3. The designing of organizational patterns of space to be defended within the alliance should be incumbent primarily on Spain and Portugal, and secondarily on the main ally, the United States, and a secondary but usual ally in the area, Great Britain.
4. The entire organizational problem could be solved in the light of the real capacities for presence, in specific areas; in other words, in operational terms.
5. The real capacities that exist and the priorities essential to the national interest, rather than determinations of a geographical nature, should constitute the main organizational guide for any mutual plan for the Iberian defense space. Although, in the naval area, Spain is a country with greater facilities than Portugal, nevertheless, Portugal's national unity depends, with the same stress as in the case of Spain, or more, on the naval aspect.
6. The ideas of encouraging Spain to play a more continental and European role within NATO, and Portugal to play a different one that would be more maritime and Atlantic, could become factors for differences. It would appear more advisable to have mutual consultation and a common understanding of the extent to which the two countries can, either separately or jointly, carry out the missions which, from a strategic standpoint, would be assigned to the Iberian space, and the demands that would be imposed on the real capacities installed in that space. Through such a consultation, it would be possible to arrive at an assessment of the exploitation of the strategic assets of all kinds located in the Iberian space, and the mutual placement of the military resources present, as a shared asset. With this combined viewpoint, the problems of a jurisdictional nature and those involving the organization of the command seem like secondary issues, like pieces of a puzzle which fall naturally into their exact place.

Thank you very much.

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LUNS STATEMENT ON AEGEAN ISLANDS, AIR SPACE DENOUNCED

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/Text/ If Andreas Papandreou's PASOK needed one more effective boost in the 18 October election sweepstakes, it suddenly received one last week in the form of a statement by the most authoritative source on the Atlantic Alliance! NATO Secretary General Luns, responding to a question by the French News Agency, questioned the status of the Greek islands in the Aegean and of the Greek air space!

As expected, the statement caused a storm of indignation and anger in the Greek press, the political world, and the citizens in every political camp. Party leaders as well as Vice Premier Averof rushed with statements (published below) to denounce Luns' action and to exploit politically the incredibly anti-Greek positions of the NATO official.

Following representations on the part of Greece's permanent delegate to NATO, Luns' rushed to a denial. "Mr. Luns did not question the status of the Greek islands in the Aegean (EPIKAIRA comment: The French News Agency created this out of the blue!) and when he spoke about the 'Greek-Turkish' air space he really meant the Greek air space"(!)

As happens in such cases, the denial did not satisfy anyone, except that it kept up necessary appearances, but the statements achieved in full--according to the universal assessment of the political world--the purposes they certainly were designed to serve. The damage was done.

From that moment on an agonizing question is being pondered by the political world and by the ordinary citizens in Greece as well. What was Luns' real purpose? Whom did he want to hurt with his statement? Political leaders and the press rushed to give reasons which were either superficial or inspired by strong political passion and election-time expediency. "The message has been received," A. Papandreou said in Ioannina. "Mr. Luns tries to save the New Democracy Party in the coming election," said Il. Iliou. "Unconcealed intervention in our internal affairs," wrote the opposition press.

Such impressions were understandable since Luns in addition to his anti-Greek positions had not missed the opportunity to express NATO's concern over a possible PASOK victory in the election. These views appeared at least on the surface to be directed against PASOK while favoring the New Democracy foreign and defense policies.

This interpretation, according to experienced politicians, would be reasonable if that was all Luns had said; in other words, if Luns had simply said that NATO is concerned about the problems that may emerge in NATO's southeast sector in the event PASOK forms the next government. But he said more, while setting the dynamite of his anti-Greek positions.

From this point on, the first agonizing question regarding Luns' real objectives emerges. Is it possible that he, the NATO secretary general, does things which, especially on the eve of an election, lead directly to and provoke an increase in the anti-NATO and consequently anti-American feelings /in this country?? Is it only a tremendous gaffe of this well-known anti-Greek, pro-Turkish leader? Or is it something more which--taking advantage of the election--is being hatched against Greece?

The political editorial board of EPIKAIRA decided to contact legitimate and experienced political personalities in the country and foreign policy experts at various levels. The results of this study on the possible interpretation and consequences of the Luns statement are given below, without direct reference to specific individuals.

Most of our interviewees agreed that the Luns statements caused a new wave of anti-NATO and anti-American feeling in Greece. "At a time when we try to forget and to tone down the resentment and the consequences of this blind and short-sighted pro-Turkish policy of the Americans and NATO, naturally for the sake of our long-range national interests and for the sake of Western defense against Soviet expansionism, at the very same time the most official spokesman of the Atlantic Alliance pours oil on the fire and, with provocative views which, as we know, do not correspond to reality, pushes the Greek people toward an extreme opposition to NATO, we cannot find an easy explanation for this," said one of the most calm and moderate politicians.

This may be so, but should we rule out that Luns "said something just for fun" with no intention of causing unrest? Was it simply a gaffe? "To accept this view," a foreign policy specialist told us, "would mean that Luns, NATO's political leader, is a virtual idiot and does not understand that such a statement on the eve of an election would be like dynamite aimed at the political parties that support the Atlantic Alliance. Regardless of his questionable pro-Turkish attitude Luns could not possibly make such a gaffe without realizing it."

"Luns usually reflects the fundamental American positions on European questions," another expert told us. He has repeatedly been used to floating views that the Americans do not want to adopt officially. He is not speaking casually. Always he has some target."

Satanic Scenario

What then was the target of his statement? To harm PASOK and thereby strengthen New Democracy? Almost all our interviewees rejected this interpretation. Because they said PASOK's anti-NATO orientation is neither secret nor an insult to its followers. Nor are the PASOK followers likely to be impressed and vote for New

Democracy only because Luns or NATO believe that "if A. Papandreu wins the election the situation might change dramatically against NATO in this area," consequently, what is left from Luns' incendiary statements is not his reference to PASOK; it is the senseless expression in an electoral period of anti-Greek positions which caused a new wave of anti-NATO and anti-American feeling. Why?

To this inexplicable "why" our interviewees either remained silent or, some reluctantly, others hypothetically, expressed a very strange interpretation, a "satanic scenario" which, however, appears to be the only possible explanation for the objective of the Luns' statement.

The explanation given is that⁷ the "pro-Turkish lobby" in the Western world, which is made up of those who are paid supporters of Turkish chauvinism and also of incorrigible narrow-minded politicians and military men who often lead the American leadership to irreparable errors and losses; that this lobby, on the occasion of the Greek election, would like to see a Greek government hostile to NATO and the Americans.

For this reason, the pro-Turkish Luns may have been pushing PASOK to more anti-American and anti-NATO positions, and the Greek voter away from the parties which believe in the Atlantic Alliance. Indeed, this is an imaginative and satanic scenario.

"From the very first day a government hostile to NATO and the Western world would come to power in Greece, Turkey would become the only stronghold in the area, receiving piles of money and supplies--which the conspirators may have a personal interest in--while the Turkish views on the Aegean will prevail totally without ruling out even more painful consequences." This is the most advanced interpretation given by a political leader who accepts the idea of a "satanic scenario."

The Details

The incident in detail took place as follows. Last Friday, NATO Secretary General Luns was asked by the French News Agency, among other things, about the situation prevailing in NATO's southern sector. He replied according to a summary published by the Athens News Agency [as follows]:

"Almost a whole year since Greece's return to NATO's military wing the related problems remain unresolved, especially the status of the Aegean Islands, the command of the Greek-Turkish air space, and the American bases in Greece." While the Greek parliamentary election is less than a month away, the NATO secretary general said:

"It is evident that if Papandreu wins in the election, the situation might change dramatically against NATO in this area." PASOK, one may recall, favors Greece's gradual withdrawal from NATO.

The reaction from the Greek side was immediate:

- a. PASOK's Chairman A. Papandreu was the first to respond, followed by the leaders of the small parties who called Luns' statement unacceptable.

b. Immediately after that, Averof expressed his reaction, followed by a government source.

c. On Sunday Luns corrected his statement.

d. The corrected statement, too, became the subject of critical commentary on the part of the opposition.

"Incredible"

Papandreu said in part: "It is certainly incredible that Luns considers 'the status of certain Aegean Islands as being open to question' or that 'the administrative control over the Greek-Turkish air space is also open to question.'

"We inform Luns that the Aegean Islands and the Aegean air space are Greek and not Greek-Turkish.

"We know that the present government is a service cabinet and cannot undertake new initiatives. But we believe it is a national duty for the cabinet to denounce unequivocally the Luns statements which undermine our nation and our sovereign rights.

"With regard to the Luns predictions on our country's course following PASOK's victory, his comments constitute a flagrant intervention in our country's political life and are therefore considered unacceptable."

Averof said: "At last I have the opportunity to agree with PASOK Chairman A. Papandreu. No Greek government ever accepted the fact that the status of the Aegean Islands is not clearly determined by documents of international prestige and recognition.

"The same applies to their air space. I believe that the Luns statement was not accurately reported. Because Luns was for over a decade minister of foreign affairs in the Netherlands and cannot be unaware that these official international treaties are in force.

"In any event, Greece has on its side, with regard to the status of the Aegean Islands and their air space, both the international rules and the material force needed to keep them in force."

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